

V-2679-92-190



NETWORK



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July 6, 1992

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Dear Sirs:

Enclosed for filing is the original and ten (10) copies of the application of Network Operator Services, Inc. for approval to provide intrastate telecommunication services in the state of Arizona.

Should the Commission have any questions, or require more information, please do not hesitate to call.

Very truly yours,

Susan P. Faber
Manager, Billing & Collections

U-2679-92-190

BEFORE THE
ARIZONA CORPORATION COMMISSION

APPLICATION OF NETWORK OPERATOR SERVICES

Network Operator Services, Inc., (Network), pursuant to A.R.S. 40-281, et seq., hereby requests authority to offer intrastate long distance telecommunications services in the state of Arizona. In support of this request, Network submits the following information.

A. NAME, ADDRESS, AND TELEPHONE NUMBER OF APPLICANT

Physical Address:

Network Operator Services, Inc.
119 W. Tyler
Longview, Texas 75601

(903) 758-9350

Mailing Address:

Network Operator Services, Inc.
P.O. Box 3529
Longview, Texas 75606

Arizona Corporation Commission

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B. NAME, ADDRESS, AND TELEPHONE NUMBER OF MANAGEMENT CONTACT

Tim Martin, President
c/o Network Operator Services, Inc.
119 W. Tyler
Longview, Texas 75601

(903) 758-9350

C. NAME, ADDRESS, AND TELEPHONE NUMBER OF ATTORNEY

Kent Wilson
Wilson & Johnson
1600 Smith Street, Suite 4100
Houston, Texas 77002

D. NATURE OF SERVICES TO BE PROVIDED

Network will purchase transmission services from facilities-based carriers for resale directly to end users (1+ long distance) and to provide operator services from entities such as public pay telephones, hotels and motels, hospitals, and universities.

Operator Services. With the operator services, users will be able to complete operator-assisted calls billed to their

telephone calling cards, major credit cards such as MasterCard and Visa, third numbers and collect numbers. On all operator-assisted calls, Network identifies itself twice to the caller before charges accrue. On calls handled by a live operator, the Network operator announces Network's name at both the beginning and end of the transaction. On automated calls, Network identifies itself after the caller has input routing and billing information and again before the call is released. In both cases, a caller may hang up after hearing the Network identification without incurring charges.

Operator-assisted calls billed to an end user's local exchange carrier ("LEC") calling card, third numbers and collect numbers will appear on the user's LEC telephone bill. Initially, Network will submit such bills through OAN, Network's billing agent. OAN will handle billing inquiries on behalf of Network, and their toll-free customer service numbers will appear on the end user's bill. OAN is authorized to resolve disputes and adjust a user's bill. When unable to resolve an inquiry, the caller is referred to Network's toll-free customer service number (800-530-4898) for assistance. Network may in the future establish a direct billing arrangement with U.S. West Communications. In this event, billing inquiries will be handled either by U.S. West or by Network directly, depending on contract terms.

Direct Dial (1+) Services. 1+ direct dial calls will arrive at Network's switch via three dialing sequences: 800, FGB or FGD access. For each of these sequences, the system will implement a different method to collect the needed information to process the call: origination number, account number, destination number and optional security code.

800 access will make use of line independent DNIS operations to direct the system for further call activity. Based on the type of line identified by the DNIS, 800 numbers will be processed as direct dial access, travel card access or translation access.

For 800 direct dial and FGB access, the system uses dial tone to prompt for the authorization code, then the destination number. If the account number requires a security code, a bong tone will be used to prompt for the security code.

Travel card access will prompt with dial tone for the destination number, then the travel card number. If the account number associated with the entered travel card requires a security code, a bong tone will be used to prompt for the security code.

Translation 800 numbers provide the system with the ability to convert the dialed 800 number (actually the DNIS) into an actual telephone number which will be dialed without any additional caller action.

FGD is the only protocol which will provide the switch with the origination number, and through a database, the subscriber's account number, without any additional entry by the subscriber. FGD also provides the destination number, therefore the call may be placed without any additional caller action.

If the account number or the travel card number is not found in the system database, the caller will be connected to a voice intercept and the call terminated.

The string of digits entered as the destination number may be 7, 8, 10, or 11 digits in length. If the number is 7 digits, the area code of the primary phone number associated with the account number will be prepended to the destination number. If the number is 8 digits, the first digit will be removed and the remaining 7 digits used as if only 7 digits were dialed. If the number is 10 digits, the destination number will be verified and dialed as is. If the number is 11 digits long, the first digit will be removed and the remaining 10 digits used as the destination number.

Origination numbers are received by either FGD protocol or by dial tone prompt on FGB and 800 access. Actual origination numbers are not available on travel card calls or on translation 800 number calls. In these cases, the origination number field will be filled in with the system telephone number, as set as system parameter.

For any given incoming line, the number of digits in the DNIS string must be the same. Multiple 800 numbers may use the same incoming line, however, each number's DNIS string must be different.

Each account number will be allowed multiple security codes and multiple valid origination numbers. If an invalid security code is entered, the call will be sent to a voice intercept, then terminated. If an invalid origination number is entered, the call will be sent to a voice intercept, then terminated.

E. STATUS OF NETWORK

Network is classified as an "S" Corporation.

F. EXHIBITS OF CORPORATION

1. Exhibit 1 - Articles of Incorporation
Exhibit 2 - Certificate of Authority from Arizona
Exhibit 3 - Certificate of Good Standing from Texas
2. Exhibit 4 - List of Officers and Directors
3. N/A - Network is incorporated in the state of Texas.

G. N/A - Network is not a Partnership.

H. N/A - Network is not a Sole Proprietorship

I. DESCRIPTION OF FACILITIES FOR SERVICE IN ARIZONA

Network will lease service lines from various carriers in the state of Arizona. Initially, all service lines will be leased through:

NTS Communications
1220 Broadway, Suite 400
Lubbock, Texas 79401

Account Representative: Diane Harlan
(806) 762-4565

J. CONSTRUCTION OF FACILITIES

Network will not be constructing facilities in the state of Arizona.

K. N/A - Network will not be constructing facilities in the state of Arizona.

L. NETWORK CUSTOMERS

Network will initially be providing operator services to Cherokee Communications, a private payphone vendor, at various locations throughout the state. Other than locations gained through any expansions on the part of Cherokee, Network has no immediate plans to expand or market in Arizona .

M. BALANCE SHEETS - CURRENT AND PROJECTED

1. Exhibit 5 - Current Balance Sheet
2. Exhibit 6 - One Year Projected Balance Sheet

N. INCOME STATEMENTS - CURRENT AND PROJECTED

1. Exhibit 7 - Current Income Statement
2. Exhibit 8 - One Year Projected Income Statement

O. DATE WHICH NETWORK EXPECTS TO MAKE A PROFIT

Due to the fact that Network is an established long distance company, Network expects to make a profit from Arizona operations within two months of operation.

P. TARIFF

Exhibit 9



The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION
OF

NETWORK OPERATOR SERVICES, INC.
CHARTER NUMBER 01070426


THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT ARTICLES OF INCORPORATION FOR THE ABOVE
CORPORATION, DULY SIGNED AND VERIFIED HAVE BEEN RECEIVED IN THIS
OFFICE AND ARE FOUND TO CONFORM TO LAW.

ACCORDINGLY THE UNDERSIGNED, AS SUCH SECRETARY OF STATE, AND BY
VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES
THIS CERTIFICATE OF INCORPORATION AND ATTACHES HERETO A COPY OF THE
ARTICLES OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE THE
USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF ANOTHER
UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW, THE
ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED MAR. 11, 1988




Secretary of State

ARTICLES OF INCORPORATION
OF
NETWORK OPERATOR SERVICES, INC.

FILED
In the Office of the
Secretary of State of Texas

MAR 11 1988

Clerk I-B
Corporations Section

I, the undersigned natural person of the age of at least eighteen (18) years who is a citizen of the State of Texas, acting as incorporator of a corporation (the "Corporation") under the Texas Business Corporation Act (the "Act"), do hereby adopt the following Articles of Incorporation for the Corporation.

ARTICLE ONE

Name

The name of the Corporation is NETWORK OPERATOR SERVICES, INC.

ARTICLE TWO

Duration

The period of its duration is perpetual.

ARTICLE THREE

Purpose

The purpose for which the Corporation is organized is to transact all or any lawful business for which corporations may be incorporated under the Act, but nothing in this article is to be construed as authorizing the Corporation to transact any business in the State of Texas expressly prohibited by any law of the State of Texas, or to engage in any activity in the State of Texas which cannot lawfully be engaged in by a corporation incorporated under the laws of the State of Texas and which license cannot be granted to a corporation organized under the Act.

ARTICLE FOUR

Authorized Shares

The aggregate number of shares which the Corporation shall have authority to issue is 10,000 shares of common stock having One No/100 Dollar (\$1.00) par value.

ARTICLE FIVE

Restriction on Commencement of Business

The Corporation will not commence business until it has received for the issuance of shares consideration of the value of at least \$1,000.00, consisting of money, labor done or property actually received.

0 0 0 3 3 0 0 4 1 7 4

ARTICLE SIX

Registered Office and Registered Agent

The street address of the initial registered office of the Corporation is:

1603 Fowler
Longview, Texas 75603
Telephone: (214) 758-4754

and the name of its initial registered agent at such address is:

Tim Martin

ARTICLE SEVEN

Address

The office address of the principal place of business of the Corporation is:

P. O. Box 9725
Longview, Texas 75608
Telephone: (214) 758-4754

ARTICLE EIGHT

Board of Directors

Section 1. Initial Board of Directors. The number of directors constituting the initial Board of Directors of the Corporation is two (2). No director need be a resident of the State of Texas or a shareholder of the Corporation.

Section 2. Name and Address. The names and addresses of the persons who are elected to serve as directors of the Corporation until the first annual meeting of the shareholders, or until their successors shall have been elected and qualified, are:

<u>Name</u>	<u>Address</u>
Tim Martin	P. O. Box 9725 Longview, Texas 75608
Ronnie Martin	P. O. Box 9725 Longview, Texas 75608

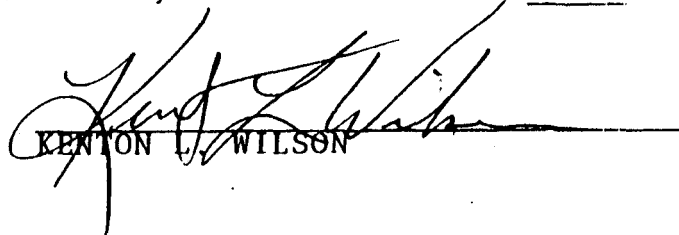
ARTICLE NINE

Incorporator

The name and address of the incorporator of the Corporation is:

<u>Name</u>	<u>Address</u>
Kenton L. Wilson	1300 Main, Suite 1100 Houston, Texas 77002

IN WITNESS WHEREOF, I have hereunto set my hand on this the 7th of March, 1988.

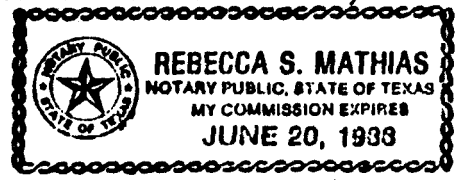

KENTON L. WILSON

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared KENTON L. WILSON under oath, known to me to be the person whose name is subscribed to the foregoing document and being first duly sworn, declared that the statements therein contained are true and correct.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17th day of March, 1988.

Rebecca S. Mathias
Notary Public in and for the State
of Texas. My commission expires
6-20-88
REBECCA S. MATHIAS
Printed Name of Notary Public



AZ CORP COMMISSION
FOR THE STATE OF AZ.
DELIVERED

MAY 26 4 33 PM '92

FILED BY Kell
DATE FILED 5-29
TERM _____
DATE _____ TIME _____

AZ CORP COMMISSION
FOR THE STATE OF AZ.
DELIVERED

MAY 4 3 36 PM '92

FILED BY _____
DATE FILED _____
TERM John Eyer
DATE 5-12 TIME 10:30

APPLICATION FOR AUTHORITY OF

7049651

Network Operator Services, Inc.

Exact Corporate Name

TO: ARIZONA CORPORATION COMMISSION
Corporations Division
P. O. Box 6019, Phoenix, AZ 85005
(or)
402 West Congress, Tucson, AZ 85701

PURSUANT TO THE PROVISIONS OF SECTIONS 10-110, 10-111 and 10-118, ARIZONA BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY APPLIES FOR AUTHORITY TO TRANSACT BUSINESS IN ARIZONA.

FIRST:

This application is:

- ☒ (1) An original application pursuant to A.R.S. Sec. 10-110.
- ☐ (2) An application for new authority pursuant to A.R.S. Sec. 10-118 as a result of:
- ☐ (a) A change in the corporation's name as set forth in the second paragraph.
- ☐ (b) A desire to pursue in this State different or additional purposes than those set forth in the corporation's prior Application for Authority as more fully described in the ninth paragraph herein.

SECOND:

The name of the corporation is: Network Operator Services, Inc.

THIRD:

If the name of the corporation does not contain the word "association", "bank", "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in ARIZONA is:

FISCAL YEAR END: 12/31

FOURTH: It is incorporated under the laws of Texas
FIFTH: The date of its incorporation is 03/11/88
and the period of its duration is Perpetual
SIXTH: The address of its principal office in the jurisdiction under the laws of the state or county in which it is incorporated is: 119 W. Tyler, Longview, TX 75601

SEVENTH: The address of the proposed known place of business in Arizona is: c/o C T Corporation System

EIGHTH: The name and address of the proposed statutory agent in Arizona is:
3225 North Central Avenue
Phoenix, Arizona 85012

NINTH: A brief statement of the character of the business which the corporation initially intends to conduct in Arizona and the purpose for which the corporation is organized is:
telecommunications

and the transaction of all lawful business for which corporations may be incorporated under the Arizona Business Corporation Act.

TENTH: The names and respective addresses of its directors and officers are:

NAME	OFFICE	ADDRESS	DATE OF TAKING OFFICE
<u>See Attached</u>			

ELEVENTH: The aggregate number of shares which it is authorized to issue, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
10,000	Common		\$1.00

TWELFTH: The aggregate number of its issued shares, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
10,000	Common		\$1.00

THIRTEENTH: The amount of its stated capital, as defined in the Arizona Business Corporation Act is:
\$ 10,000.

FOURTEENTH: The application is accompanied by a copy of its Articles of Incorporation and all amendments thereto, duly authenticated within 60 days of delivery of these documents, by the proper officer of the State or County under the laws of which it is incorporated.

FIFTEENTH: Has any person(s): (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

YES _____ NO X

If your answer to the above question is "YES", you MUST attach the following information for each such corporation:

1. Name and address of the corporation
2. Full name, including alias(es) and address(es) of each person or person(s) involved.
3. State(s) in which the corporation:
 - (a) Was incorporated
 - (b) Has transacted business
4. Dates of corporate operation
5. A description of the bankruptcy, receivership or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

SIXTEENTH: Under penalties of law, I declare that I will comply with the provisions of A.R.S. Sec. 10-128.01.

Under penalties of law, I declare that I have examined this application and to the best of my knowledge and belief it is true, correct and complete.

Network Operator Services, Inc.

(CORPORATE NAME)

By: _____

President

By: _____

Secretary

C T Corporation System

, having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

C T Corporation System

(Signature of Statutory Agent)

K. S. Hood, Assistant Secretary

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 1200 West Washington
Phoenix, Arizona 85007

Tucson Address: 402 West Congress
Tucson, Arizona 85701

CERTIFICATE OF DISCLOSURE

A.R.S. Sections 10-128 & 10-1084

PLEASE SEE REVERSE SIDE

Network Operator Services, Inc.
EXACT CORPORATE NAME

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

- A. No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
- ☒ 1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
- (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
- (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

- B. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION

A.R.S. Sections 10-128.01 and 10-1083

- C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO ☒

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
- (a) Was incorporated.
- (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

Under penalties of law, the undersigned incorporators/Officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

BY *Tom Martin* DATE 4-21-92

TITLE President

BY *Linda Martin* DATE 5-1-92

TITLE Secretary

BY _____ DATE _____

BY _____ DATE _____

BY _____ DATE _____

TITLE _____

FISCAL DATE: 12/31



The State of Texas

Secretary of State

IT IS HEREBY CERTIFIED, THAT

NETWORK OPERATOR SERVICES, INC.

FILED ARTICLES OF INCORPORATION IN THIS OFFICE AND WAS ISSUED
A CERTIFICATE OF INCORPORATION ON

MAR. 11, 1988;

THAT SO FAR AS IS SHOWN BY THE RECORDS OF THIS
DEPARTMENT, NO CERTIFICATE OF DISSOLUTION HAS BEEN FILED FOR SAID
CORPORATION, AND IT IS STILL IN EXISTENCE.

IN TESTIMONY WHEREOF, I HAVE HEREUNTO
SIGNED MY NAME AND CAUSED TO BE
IMPRESSED HEREON THE SEAL OF STATE ON
JUNE 12, 1992



John Hannah Jr.
Secretary of State

EXHIBIT 4

NETWORK OPERATOR SERVICES, INC.

BOARD OF DIRECTORS

Timothy C. Martin, 1603 Fowler Street, Longview, Texas 75603

Ronald F. Martin, 1603 Fowler Street, Longview, Texas 75603

Richard D. Martin, 4455 Harvest Hill, Dallas, Texas 75324

Tony F. Rothrock, Rt. 2, 247 1/2 Hamby Road, Longview, Texas 75606

CORPORATE OFFICERS

President - Timothy C. Martin, 1603 Fowler, Longview, Texas 75603

Vice-Pres. - Ronald F. Martin, 1603 Fowler, Longview, Texas 75603

Treasurer - Timothy C. Martin, 1603 Fowler, Longview, Texas 75603

Secretary - Linda Martin, #2 Joaquin Ct., Longview, Texas 75604

NETWORK OPERATOR SERVICES, INC.
BALANCE SHEET
APRIL 30, 1992

ASSETS

CURRENT ASSETS

CASH - MONEY MARKET	\$29,005
CASH IN BANK-CD	50,000
PETTY CASH	800
INVESTMENTS	11,401
ACCOUNTS RECEIVABLE	1,392,336
PREPAID ACCOUNTS	3,273
DEPOSITS-SERVICE LINES	1,552

TOTAL CURRENT ASSETS

1,488,367

NOTES RECEIVABLE

220,032

FIXED ASSETS

EQUIPMENT	612,363
OFFICE FURNITURE	47,858
SOFTWARE	157,885
AUTOMOBILES	41,141
ACCUMULATED DEPRECIATION	(542,783)

TOTAL FIXED ASSETS

316,464

TOTAL ASSETS

2,024,863

NETWORK OPERATOR SERVICES, INC.
BALANCE SHEET
APRIL 30, 1992

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$646,940	
TAXES PAYABLE	29,444	
ACCRUED PAYROLL	42,136	

TOTAL CURRENT LIABILITIES		718,520
LONG-TERM LIABILITIES		
TONY ROTHROCK	400,000	
R D MARTIN	350,000	
MARY ROTHROCK	100,000	
CAROL ROTHROCK	200,000	

TOTAL LONG-TERM LIABILITES		1,050,000

TOTAL LIABILITIES		1,768,520
STOCKHOLDERS' EQUITY		
PAID IN CAPITAL	427,793	
CAPITAL STOCK	10,000	
RETAINED EARNINGS	(181,450)	

TOTAL EQUITY		256,343

TOTAL LIABILITIES AND EQUITY		\$2,024,863
		=====

EXHIBIT 6

NETWORK OPERATOR SERVICES, INC.
Proforma Balance Sheet - 1992

	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
CURRENT ASSETS								
Cash-Money Market	92,161	200,391	200,392	258,781	249,501	249,501	249,501	249,501
Cash-CDs	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Netty Cash	800	800	800	800	800	800	800	800
Investments	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Accounts Receivable	1,474,650	1,981,454	2,412,313	2,548,757	2,509,786	2,455,994	2,390,952	2,400,690
Commission Advance		500,000	434,344	367,375	299,736	238,185	175,402	116,387
Deposits	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420
TOTAL	1,631,731	2,746,765	3,111,969	3,239,834	3,123,943	3,008,600	2,880,775	2,831,497
Long Term Receivables	215,031	212,656	210,339	208,081	205,882	203,744	201,666	199,650
Fixed Assets, less allowances	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297
TOTAL ASSETS	2,147,059	3,259,718	3,622,605	3,748,212	3,630,122	3,512,641	3,382,738	3,331,444
CURRENT LIABILITIES								
Accounts Payable	761,398	1,121,081	1,149,706	1,169,527	1,099,482	1,126,514	1,083,883	1,139,276
Line of Credit		711,884	943,828	943,828	913,828	677,232	509,783	306,645
LONG-TERM LIABILITIES								
Loans from Shareholders	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Other	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
TOTAL LIABILITIES	1,811,398	2,882,965	3,143,534	3,163,355	3,063,310	2,853,746	2,643,666	2,495,921
STOCKHOLDERS EQUITY								
Capital Stock	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Paid in Capital	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793
Retained Earnings	(102,132)	(61,039)	41,278	147,064	129,019	221,102	301,280	397,730
TOTAL EQUITY	335,661	376,754	479,071	584,857	566,812	658,895	739,073	835,523
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	2,147,059	3,259,718	3,622,605	3,748,212	3,630,122	3,512,641	3,382,738	3,331,444

NETWORK OPERATOR SERVICES, INC.
PROFORMA BALANCE SHEET - 1993

CURRENT ASSETS	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Cash-Money Market	281,042	243,160	322,161	238,435	317,736	292,215	366,457	451,447	441,774	613,538	714,047	854,454
Cash-CDs	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Petty Cash	800	800	800	800	800	800	800	800	800	800	800	800
Investments	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Accounts Receivable	2,381,742	2,216,856	2,317,611	2,408,490	2,441,306	2,490,278	2,546,918	2,590,129	2,498,203	2,443,383	2,378,768	2,387,477
Commission Advance	53,831	0	0	0	0	0	0	0	0	0	0	0
Deposits	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420
TOTAL	2,781,534	2,524,936	2,704,692	2,711,845	2,823,962	2,847,413	2,978,296	3,106,496	3,004,897	3,121,841	3,157,735	3,306,851
Long Term Receivables	197,697	195,807	193,981	192,220	190,525	188,897	187,336	185,843	184,419	183,065	181,782	180,571
Fixed Assets, less allowances	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297
TOTAL ASSETS	3,279,528	3,021,040	3,198,970	3,204,362	3,314,784	3,336,607	3,465,929	3,592,636	3,489,613	3,605,203	3,639,814	3,787,719
CURRENT LIABILITIES												
Accounts Payable	1,107,413	1,065,233	1,173,067	1,166,284	1,178,670	1,199,970	1,219,208	1,231,979	1,148,301	1,167,393	1,118,867	1,169,262
Line of Credit	306,645	25,645	0	0	0	0	0	0	0	0	0	0
LONG-TERM LIABILITIES												
Loans from Shareholders	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Other	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
TOTAL LIABILITIES	2,464,058	2,140,878	2,223,067	2,216,284	2,228,670	2,249,970	2,269,208	2,281,979	2,198,301	2,217,393	2,168,867	2,219,262
STOCKHOLDERS EQUITY												
Capital Stock	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Paid in Capital	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793
Retained Earnings	377,677	442,370	538,110	550,285	648,321	648,845	758,928	872,865	853,519	950,017	1,033,154	1,130,664
TOTAL EQUITY	815,470	880,163	975,903	988,078	1,086,114	1,086,638	1,196,721	1,310,658	1,291,312	1,387,810	1,470,947	1,568,457
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	3,279,528	3,021,040	3,198,970	3,204,362	3,314,784	3,336,607	3,465,929	3,592,636	3,489,613	3,605,203	3,639,814	3,787,719

NETWORK OPERATOR SERVICES, INC.
INCOME STATEMENT
FOR THE PERIOD ENDED APRIL 30, 1992

	----- MONTH TO DATE ----- ACTUAL	%	----- YEAR TO DATE ----- ACTUAL	%
REVENUE				
SALES - OPERATOR SERVICE	\$769,896	100.0 %	2,975,481	100.0
INTEREST INCOME	5,032	.7	21,794	.7
OTHER INCOME	3,155	.4	11,709	.4
SALES - ONE PLUS	19,807	100.0	51,960	100.0
	-----	-----	-----	-----
TOTAL REVENUE	797,890	103.6	3,060,944	102.9
COST OF SERVICE				
COMMISSIONS	290,953	37.8	1,114,463	37.5
TELEPHONE SERVICES	146,291	19.0	515,828	17.3
BILLING & COLLECTIONS COST	113,505	14.7	449,315	15.1
CR CARD VALIDATION	10,397	1.4	37,018	1.2
OPERATOR WAGES	70,068	9.1	261,952	8.8
	-----	-----	-----	-----
TOTAL COST OF SERVICE	631,214	82.0	2,378,576	79.9
	-----	-----	-----	-----
GROSS PROFIT	166,676	21.6	682,368	22.9
OPERATING EXPENSES				
TOTAL OPERATING EXPENSES	154,640	20.1	575,095	19.3
	-----	-----	-----	-----
NET INCOME (LOSS)	\$12,036	1.6 %	107,273	3.6
	=====	=====	=====	=====

NETWORK OPERATOR SERVICES, INC.
SCHEDULE OF OPERATING EXPENSES
FOR THE PERIOD ENDED APRIL 30, 1992

	----- MONTH TO DATE -----	----- YEAR TO DATE -----	
	ACTUAL	%	ACTUAL
		%	
OPERATING EXPENSES			
OFFICE SALARIES	\$54,835	7.1	225,603
DIRECTORS SALARIES	8,000	1.0	32,000
ADVERTISING	4,805	.6	10,582
HEALTH INSURANCE	3,361	.4	15,872
SOFTWARE EXPENSE	3,034	.4	9,063
TAX PAYROLL	4,191	.5	19,331
DEPRECIATION	11,087	1.4	43,262
AUTO EXPENSE	1,574	.2	7,002
BANK CHARGES	1,544	.2	2,241
SALES COMMISSIONS	2,138	.3	7,433
CONTRACT LABOR	4,212	.5	12,699
DONATIONS			345
DUES , PUBLICATIONS & FEES	816	.1	3,592
EMPLOYEE TRAINING	395	.1	3,840
TRAVEL EXPENSE	5,327	.7	5,973
FOOD	774	.1	1,888
ENTERTAINMENT	144	.0	3,212
EQUIPMENT RENT	2,087	.3	9,991
FREIGHT	1,101	.1	2,995
FIRE & THEFT INSURANCE	971	.1	3,090
WORKMANS COMPENSATION	1,002	.1	3,860
INTEREST	15,750	2.0	63,014
JANITORIAL EXPENSE	1,461	.2	2,838
LEGAL & PROFESSIONAL	300	.0	5,152
OFFICE SUPPLIES & POSTAGE	6,569	.9	13,991
MARKETING EXPENSE	1,753	.2	3,559
RENT-OFFICE	6,888	.9	27,551
PIC CHARGES	453	.1	747
RENT-STORAGE	89	.0	174
AUTOMOBILE INSURANCE	149	.0	2,091
MIS. EXPENSE	2,321	.3	3,084
PAGER SERVICE	96	.0	442
REPAIR & MAINTENANCE	1,380	.2	3,117
SERVICE AGREEMENT	3,328	.4	13,055
SUPPLIES	1,379	.2	6,665
TAX & LICENSE	10	.0	2,140
TELEPHONE	1,289	.2	3,522
UTILITIES	27	.0	80
TOTAL OPERATING EXPENSES	\$154,640	20.1	575,096
		%	19.3

CONSOLIDATED
Projected Income Statement 1992

	JAN-MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
REVENUE									
Operator services	3,770,000	1,400,240	1,428,165	1,442,246	1,312,964	1,339,144	1,258,935	1,334,091	13,285,785
Long distance services	88,000	33,000	38,000	43,000	50,000	57,000	63,000	70,000	442,000
Total Revenue	3,858,000	1,433,240	1,466,165	1,485,246	1,362,964	1,396,144	1,321,935	1,404,091	13,727,785
COST OF SERVICES									
Commissions	1,421,290	502,651	512,674	517,725	471,326	480,723	451,932	478,905	4,837,226
Commissions-ICL	0	65,656	66,969	67,639	61,551	62,782	59,015	62,556	446,169
Telephone services	678,694	247,663	255,024	260,119	242,861	251,053	241,269	257,479	2,434,162
Billing & collection costs	569,900	211,686	216,125	218,487	199,445	203,722	191,990	203,614	2,014,968
Operator wages	320,450	118,220	120,578	121,766	110,852	113,062	106,290	112,635	1,123,853
Credit Card validation	65,975	24,510	24,999	25,245	22,982	23,441	22,037	23,552	232,541
Total Cost of Services	3,056,309	1,170,386	1,196,369	1,210,982	1,109,017	1,134,731	1,072,533	1,138,541	11,088,918
GROSS PROFIT	801,691	262,854	269,796	274,264	253,947	261,362	249,402	265,551	2,638,867
OPERATING EXPENSES	692,600	159,400	160,400	161,400	162,800	164,200	165,400	166,800	1,833,000
INTEREST EXPENSE-LINE OF CREDIT	0	5,339	7,079	7,079	6,854	5,079	3,823	2,300	37,553
NET INCOME	109,091	98,115	102,317	105,786	84,294	92,083	80,178	96,451	768,314

CONSOLIDATED
Projected Income Statement 1993

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
REVENUE													
Operator services	1,264,686	1,207,099	1,373,452	1,359,597	1,373,393	1,401,101	1,429,043	1,443,134	1,313,772	1,339,967	1,259,709	1,334,912	16,099,866
Long distance services	70,000	65,000	70,000	75,000	82,000	89,000	93,000	100,000	100,000	105,000	110,000	115,000	1,074,000
Total Revenue	1,334,686	1,272,099	1,443,452	1,434,597	1,455,393	1,490,101	1,522,043	1,543,134	1,413,772	1,444,967	1,369,709	1,449,912	17,173,866
COST OF SERVICES													
Commissions	453,941	433,145	493,009	488,033	492,989	502,939	512,968	518,022	471,596	480,998	452,191	479,179	5,779,012
Commissions-ICL	59,429	57,051	64,468	63,823	64,462	65,751	67,066	67,737	61,640	62,873	59,101	62,647	756,047
Telephone services	246,107	233,866	263,918	264,440	270,605	279,048	285,854	292,067	270,889	277,968	267,619	282,719	3,235,100
Billing & collection costs	193,203	184,315	209,518	207,690	210,109	214,615	219,006	221,470	202,066	206,245	194,456	205,987	2,468,680
Operator wages	106,774	101,908	115,957	114,788	115,953	118,292	120,651	121,841	110,919	113,131	106,355	112,704	1,359,272
Credit Card Validation	22,137	21,129	24,041	23,799	24,040	24,525	25,014	25,261	22,996	23,455	22,050	23,366	281,814
Total Cost of Services	1,081,591	1,031,414	1,170,911	1,162,572	1,178,157	1,205,171	1,230,560	1,246,397	1,140,107	1,164,670	1,101,771	1,166,602	13,879,925
GROSS PROFIT	253,096	240,685	272,540	272,025	277,236	284,931	291,483	296,737	273,664	280,297	267,938	283,309	3,293,941
OPERATING EXPENSES	176,800	175,800	176,800	177,800	179,200	180,600	181,400	182,800	182,800	183,800	184,800	185,800	2,168,400
INTEREST EXPENSE-LINE OF CREDIT	2,500	192	0	0	0	0	0	0	0	0	0	0	2,492
NET INCOME	73,996	64,692	95,740	94,225	98,036	104,331	110,083	113,937	90,864	96,497	83,138	97,509	1,123,049

NETWORK OPERATOR SERVICES, INC.

ORIGINAL SHEET 1

TITLE SHEET**ARIZONA TELECOMMUNICATIONS TARIFF**

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service for long distance telecommunications, including the provision of operator services, provided by Network Operator Services, Inc., with principal offices located at 119 West Tyler, Suite 260, Longview, Texas, 75601. This tariff applies for services furnished within the state of Arizona. This tariff is on file with the Arizona Corporation Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

CHECK SHEET

Sheets 1 through 10 inclusive of this tariff are effective as of the date of shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>SHEET</u>	<u>REVISION</u>
1	Original
1.1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
10.1	Original
10.2	Original

Issued: June 29, 1992

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Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

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Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

SYMBOLS

The following are the only symbols used for the purposes indicated below:

- D - Delete or Discontinue
- I - Change Resulting In An
Increase to A Customer's Bill
- M - Moved From Another Tariff Location
- N - New
- R - Change Resulting In A Reduction
to A Customer's Bill
- T - Change In Text or Regulation
But No Change In Rate or Charge

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Arizona Corporation Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, approval process the most current sheet number on file with the Commission is not always the tariff page in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1.(a).
- 2.1.1.A.1.(a).I.
- 2.1.1.A.1.(a).I.(i).
- 2.1.1.A.1.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the Arizona Corporation Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Arizona Corporation Commission.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULES

RULE 1 - TECHNICAL TERMS AND ABBREVIATIONS

ACCESS LINE - An arrangement which connects the customer's location to Network Operator Services, Inc. switching center.

AUTHORIZATION CODE - A numerical code which enables a customer to access the carrier.

CALLED STATION - Denotes the terminating point of a call (i.e., the called telephone number).

CALLING CARD - A card assigned by local telephone companies which enables users to bill telephone calls to their local telco account.

COLLECT CALL - A payment arrangement whereby the called station accepts billing for the call placed through Network Operator Services, Inc.

COMPANY OR CARRIER - Network Operator Services, Inc.

CUSTOMER - Denotes any individual, partnership, association, corporation, or any other entity who subscribes to the services offered in this tariff.

DIRECT DIAL (1+) CALLS - Calls placed without the assistance of an operator.

LATA - (Local Access Transport Area) A geographic area established as required by the Modified Final Judgment in the government's antitrust suit against the Bell System for the provision and administration of communication services.

OPERATOR ASSISTED CALLS - Calls which require the assistance of an operator for completion. For example, collect calls.

PERSON TO PERSON CALL - A service arrangement whereby the caller specifies to the operator a particular person, department, mobile station, extension, or office to be reached.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULE 1 - CONT.

SERVICE CHARGE - A charge added to the basic mileage rate for a telephone call for the assistance of an operator or the usage of a calling card.

SURCHARGE - A separate non-regulated charge added to the cost of the telephone call. This amount is set by the owner of the telephone.

THIRD PARTY BILLING - A payment arrangement which allows the end user to assign billing to a telephone number which is different from the calling or called telephone number.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULE 2 - SERVICE OFFERINGS

Network Operator Services, Inc. provides 24 - hour long distance services, including operator assisted services. We handle direct dial (1+) calls, collect calls, person to person calls, calling card calls, and calls billed to a third number.

RULE 3 - UNDERTAKING OF NETWORK OPERATOR SERVICES, INC.

Network Operator Services, Inc. provides long distance service (direct dial) directly to residence and business customers.

Network Operator Services, Inc. also provides operator assistance for pay telephones, hotels and motels, hospitals, airports, colleges, etc. Services are provided to subscribed customers for all operator assisted traffic on their phones.

RULE 4 - TIMING OF CALLS

Network Operator Services, Inc. begins charges on a call when a connection is made. The minimum charge is for one minute, and charges are calculated on either a per minute basis or in six second increments.

RULE 5 - INCOMPLETE CALLS

Calls which are not completed (busy numbers, no answer, etc.) are not billed.

RULE 6 - CREDITS AND REFUNDS

If a credit is requested on a call due to trouble on the line (such as a bad connection, disconnection, wrong number dialed, etc.), and the credit is requested immediately through the operator, it is usually issued immediately. All other credit requests are handled through our business office.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULE 7 - CALCULATION OF DISTANCE

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of a call. For the purpose of determining airline mileage, vertical and horizontal grid lines have been established across the United States and Canada. The spacing between adjacent vertical grid lines and between horizontal grid lines represents a distance of one coordinate unit. This unit is the square root of 0.1, expressed in statute miles. Network Operator Services, Inc. uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape.

FORMULA:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

NOTE: The difference is always obtained by subtracting the smaller coordinate from the larger coordinate.

Issued: June 29, 1992**Effective: Upon Approval**

**Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606**

RULE 8 - BILLING OF SERVICES

Long distance calls, including direct dial and operator assisted calls, that are handled by Network Operator Services, Inc. will be billed to the user's LEC (local exchange carrier) telephone bill unless the end user has a direct billing arrangement with Network. Network Operator Services, Inc. will submit call records directly to U.S. West or through OAN, a clearinghouse located in Van Nuys, California. All calls will be processed at Network's tariffed rate. U.S. West and OAN will handle billing inquiries on behalf of Network. End user telephone bills will contain a toll-free customer service number. U.S. West and OAN are authorized to resolve disputes and adjust a user's bill whenever necessary. When U.S. West or OAN is unable to resolve an inquiry, the caller is referred to Network's toll-free customer service number for assistance. Network's number is 800-530-4898.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

SECTION 3 - RATESDIRECT DIAL (1+) and OPERATOR ASSISTED3.1 Intrastate/Interlata RatesDAY

<u>Miles</u>	<u>Initial Minute</u>	<u>Each Additional Minute</u>
1 - 10	.24	.11
11 - 22	.33	.16
23 - 55	.34	.19
56 - 124	.36	.24
125 - 292	.37	.27
293 - 9999	.38	.28

EVENING

<u>Miles</u>	<u>Initial Minute</u>	<u>Each Additional Minute</u>
1 - 10	.16	.07
11 - 22	.22	.10
23 - 55	.24	.13
56 - 124	.27	.16
125 - 292	.28	.17
293 - 9999	.28	.19

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

NIGHT

<u>Miles</u>	<u>Initial Minute</u>	<u>Each Additional Minute</u>
1 - 10	.12	.06
11 - 22	.17	.08
23 - 55	.20	.10
56 - 124	.23	.13
125 - 292	.23	.15
293 - 9999	.26	.16

3.2 Service Charges for Operator Assisted Calls

Network Operator Services, Inc. will charge the following service charges for operator assisted calls and credit card calls:

Calling Card (except NETWORK TRAVEL CARD)

You dial 0+ area code and number - \$.50

You dial just 0 - \$ 1.30

Collect and Bill to Third Party

You dial 0+ area code and number - \$ 1.30

You dial just 0 - \$ 1.30

Person to Person

You dial 0+ area code and number - \$ 3.00

You dial just 0 - \$ 3.00

3.3 Location Surcharge

Maximum location surcharge - \$ 1.00

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606

3.4 Network Travel Card Rates

Calls billed to a travel card issued by Network will be billed at 35¢ for the first minute and 30¢ for each additional minute. Network does not impose a service charge on these calls.

3.5 Translation "800" Rates

Rate Tables are assigned to "800" accounts according to monthly volume. Accounts are initially assigned to the highest rate table. Rate tables may be reassigned as volume increases.

Rate Table 50 - Volume \$500 + Monthly: 19¢ per minute

Rate Table 51 - Volume between \$200 & \$500 Monthly - 21¢ per minute

Rate Table 52 - Volume below \$200 Monthly - 24¢ per minute

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606



NETWORK

July 6, 1992

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Dear Sirs:

Enclosed for filing is the original and ten (10) copies of the application of Network Operator Services, Inc. for approval to provide intrastate telecommunication services in the state of Arizona.

Should the Commission have any questions, or require more information, please do not hesitate to call.

Very truly yours,

Susan P. Faber
Manager, Billing & Collections



BEFORE THE
ARIZONA CORPORATION COMMISSION

APPLICATION OF NETWORK OPERATOR SERVICES, INC.

Network Operator Services, Inc., (Network), pursuant to A.R.S. 40-281, et seq., hereby requests authority to offer intrastate long distance telecommunications services in the state of Arizona. In support of this request, Network submits the following information.

A. NAME, ADDRESS, AND TELEPHONE NUMBER OF APPLICANT

Physical Address:

Network Operator Services, Inc.
119 W. Tyler
Longview, Texas 75601

(903) 758-9350

Mailing Address:

Network Operator Services, Inc.
P.O. Box 3529
Longview, Texas 75606

B. NAME, ADDRESS, AND TELEPHONE NUMBER OF MANAGEMENT CONTACT

Tim Martin, President
c/o Network Operator Services, Inc.
119 W. Tyler
Longview, Texas 75601

(903) 758-9350

C. NAME, ADDRESS, AND TELEPHONE NUMBER OF ATTORNEY

Kent Wilson
Wilson & Johnson
1600 Smith Street, Suite 4100
Houston, Texas 77002

D. NATURE OF SERVICES TO BE PROVIDED

Network will purchase transmission services from facilities-based carriers for resale directly to end users (1+ long distance) and to provide operator services from entities such as public pay telephones, hotels and motels, hospitals, and universities.

Operator Services. With the operator services, users will be able to complete operator-assisted calls billed to their

telephone calling cards, major credit cards such as MasterCard and Visa, third numbers and collect numbers. On all operator-assisted calls, Network identifies itself twice to the caller before charges accrue. On calls handled by a live operator, the Network operator announces Network's name at both the beginning and end of the transaction. On automated calls, Network identifies itself after the caller has input routing and billing information and again before the call is released. In both cases, a caller may hang up after hearing the Network identification without incurring charges.

Operator-assisted calls billed to an end user's local exchange carrier ("LEC") calling card, third numbers and collect numbers will appear on the user's LEC telephone bill. Initially, Network will submit such bills through OAN, Network's billing agent. OAN will handle billing inquiries on behalf of Network, and their toll-free customer service numbers will appear on the end user's bill. OAN is authorized to resolve disputes and adjust a user's bill. When unable to resolve an inquiry, the caller is referred to Network's toll-free customer service number (800-530-4898) for assistance. Network may in the future establish a direct billing arrangement with U.S. West Communications. In this event, billing inquiries will be handled either by U.S. West or by Network directly, depending on contract terms.

Direct Dial (1+) Services. 1+ direct dial calls will arrive at Network's switch via three dialing sequences: 800, FGB or FGD access. For each of these sequences, the system will implement a different method to collect the needed information to process the call: origination number, account number, destination number and optional security code.

800 access will make use of line independent DNIS operations to direct the system for further call activity. Based on the type of line identified by the DNIS, 800 numbers will be processed as direct dial access, travel card access or translation access.

For 800 direct dial and FGB access, the system uses dial tone to prompt for the authorization code, then the destination number. If the account number requires a security code, a bong tone will be used to prompt for the security code.

Travel card access will prompt with dial tone for the destination number, then the travel card number. If the account number associated with the entered travel card requires a security code, a bong tone will be used to prompt for the security code.

Translation 800 numbers provide the system with the ability to convert the dialed 800 number (actually the DNIS) into an actual telephone number which will be dialed without any additional caller action.

FGD is the only protocol which will provide the switch with the origination number, and through a database, the subscriber's account number, without any additional entry by the subscriber. FGD also provides the destination number, therefore the call may be placed without any additional caller action.

If the account number or the travel card number is not found in the system database, the caller will be connected to a voice intercept and the call terminated.

The string of digits entered as the destination number may be 7, 8, 10, or 11 digits in length. If the number is 7 digits, the area code of the primary phone number associated with the account number will be prepended to the destination number. If the number is 8 digits, the first digit will be removed and the remaining 7 digits used as if only 7 digits were dialed. If the number is 10 digits, the destination number will be verified and dialed as is. If the number is 11 digits long, the first digit will be removed and the remaining 10 digits used as the destination number.

Origination numbers are received by either FGD protocol or by dial tone prompt on FGB and 800 access. Actual origination numbers are not available on travel card calls or on translation 800 number calls. In these cases, the origination number field will be filled in with the system telephone number, as set as system parameter.

For any given incoming line, the number of digits in the DNIS string must be the same. Multiple 800 numbers may use the same incoming line, however, each number's DNIS string must be different.

Each account number will be allowed multiple security codes and multiple valid origination numbers. If an invalid security code is entered, the call will be sent to a voice intercept, then terminated. If an invalid origination number is entered, the call will be sent to a voice intercept, then terminated.

E. STATUS OF NETWORK

Network is classified as an "S" Corporation.

F. EXHIBITS OF CORPORATION

1. Exhibit 1 - Articles of Incorporation
Exhibit 2 - Certificate of Authority from Arizona
Exhibit 3 - Certificate of Good Standing from Texas
2. Exhibit 4 - List of Officers and Directors
3. N/A - Network is incorporated in the state of Texas.

G. N/A - Network is not a Partnership.

H. N/A - Network is not a Sole Proprietorship

I. DESCRIPTION OF FACILITIES FOR SERVICE IN ARIZONA

Network will lease service lines from various carriers in the state of Arizona. Initially, all service lines will be leased through:

NTS Communications
1220 Broadway, Suite 400
Lubbock, Texas 79401

Account Representative: Diane Harlan
(806) 762-4565

J. CONSTRUCTION OF FACILITIES

Network will not be constructing facilities in the state of Arizona.

K. N/A - Network will not be constructing facilities in the state of Arizona.

L. NETWORK CUSTOMERS

Network will initially be providing operator services to Cherokee Communications, a private payphone vendor, at various locations throughout the state. Other than locations gained through any expansions on the part of Cherokee, Network has no immediate plans to expand or market in Arizona .

M. BALANCE SHEETS - CURRENT AND PROJECTED

1. Exhibit 5 - Current Balance Sheet
2. Exhibit 6 - One Year Projected Balance Sheet

N. INCOME STATEMENTS - CURRENT AND PROJECTED

1. Exhibit 7 - Current Income Statement
2. Exhibit 8 - One Year Projected Income Statement

O. DATE WHICH NETWORK EXPECTS TO MAKE A PROFIT

Due to the fact that Network is an established long distance company, Network expects to make a profit from Arizona operations within two months of operation.

P. TARIFF

Exhibit 9



The State of Texas

Secretary of State

CERTIFICATE OF INCORPORATION

OF

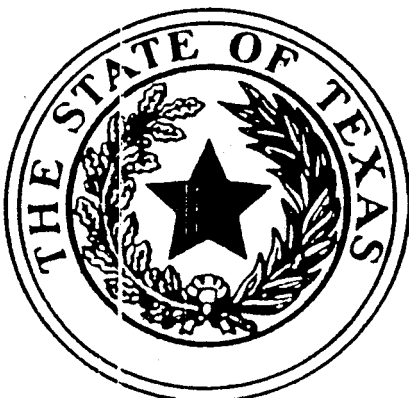
NETWORK OPERATOR SERVICES, INC.
CHARTER NUMBER 01070426

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS, HEREBY CERTIFIES THAT ARTICLES OF INCORPORATION FOR THE ABOVE CORPORATION, DULY SIGNED AND VERIFIED HAVE BEEN RECEIVED IN THIS OFFICE AND ARE FOUND TO CONFORM TO LAW.

ACCORDINGLY THE UNDERSIGNED, AS SUCH SECRETARY OF STATE, AND BY VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS CERTIFICATE OF INCORPORATION AND ATTACHES HERETO A COPY OF THE ARTICLES OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE THE USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF ANOTHER UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW, THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED MAR. 11, 1988




Secretary of State

0 0 0 3 1 0 0 4 1 0 3

FILED
In the Office of the
Secretary of State of Te
MAR 11 1988
Clark I-B
Corporations Section

ARTICLES OF INCORPORATION
OF
NETWORK OPERATOR SERVICES, INC.

I, the undersigned natural person of the age of at least eighteen (18) years who is a citizen of the State of Texas, acting as incorporator of a corporation (the "Corporation") under the Texas Business Corporation Act (the "Act"), do hereby adopt the following Articles of Incorporation for the Corporation.

ARTICLE ONE

Name

The name of the Corporation is NETWORK OPERATOR SERVICES, INC.

ARTICLE TWO

Duration

The period of its duration is perpetual.

ARTICLE THREE

Purpose

The purpose for which the Corporation is organized is to transact all or any lawful business for which corporations may be incorporated under the Act, but nothing in this article is to be construed as authorizing the Corporation to transact any business in the State of Texas expressly prohibited by any law of the State of Texas, or to engage in any activity in the State of Texas which cannot lawfully be engaged in by a corporation incorporated under the laws of the State of Texas and which license cannot be granted to a corporation organized under the Act.

ARTICLE FOUR

Authorized Shares

The aggregate number of shares which the Corporation shall have authority to issue is 10,000 shares of common stock having One No/100 Dollar (\$1.00) par value.

ARTICLE FIVE

Restriction on Commencement of Business

The Corporation will not commence business until it has received for the issuance of shares consideration of the value of at least \$1,000.00, consisting of money, labor done or property actually received.

6

0000004100

ARTICLE SIX

Registered Office and Registered Agent

The street address of the initial registered office of the Corporation is:

1603 Fowler
Longview, Texas 75603
Telephone: (214) 758-4754

and the name of its initial registered agent at such address is:

Tim Martin

ARTICLE SEVEN

Address

The office address of the principal place of business of the Corporation is:

P. O. Box 9725
Longview, Texas 75608
Telephone: (214) 758-4754

ARTICLE EIGHT

Board of Directors

Section 1. Initial Board of Directors. The number of directors constituting the initial Board of Directors of the Corporation is two (2). No director need be a resident of the State of Texas or a shareholder of the Corporation.

Section 2. Name and Address. The names and addresses of the persons who are elected to serve as directors of the Corporation until the first annual meeting of the shareholders, or until their successors shall have been elected and qualified, are:

<u>Name</u>	<u>Address</u>
Tim Martin	P. O. Box 9725 Longview, Texas 75608
Ronnie Martin	P. O. Box 9725 Longview, Texas 75608

ARTICLE NINE

Incorporator

The name and address of the incorporator of the Corporation is:

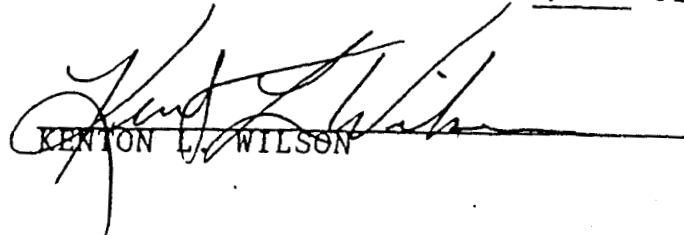
Name

Address

Kenton L. Wilson

1300 Main, Suite 1100
Houston, Texas 77002

IN WITNESS WHEREOF, I have hereunto set my hand on this the 7th of March, 1988.


KENTON L. WILSON

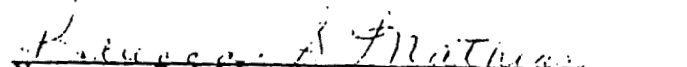
STATE OF TEXAS

§
§
§

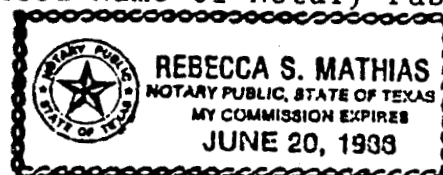
COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared KENTON L. WILSON under oath, known to me to be the person whose name is subscribed to the foregoing document and being first duly sworn, declared that the statements therein contained are true and correct.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17th day of March, 1988.


Notary Public in and for the State
of Texas. My commission expires
6-20-88

REBECCA S. MATHIAS
Printed Name of Notary Public





The State of Texas

Secretary of State

IT IS HEREBY CERTIFIED, THAT

NETWORK OPERATOR SERVICES, INC.

FILED ARTICLES OF INCORPORATION IN THIS OFFICE AND WAS ISSUED
A CERTIFICATE OF INCORPORATION ON

MAR. 11, 1988;

THAT SO FAR AS IS SHOWN BY THE RECORDS OF THIS
DEPARTMENT, NO CERTIFICATE OF DISSOLUTION HAS BEEN FILED FOR SAID
CORPORATION, AND IT IS STILL IN EXISTENCE.

IN TESTIMONY WHEREOF, I HAVE HEREUNTO
SIGNED MY NAME AND CAUSED TO BE
IMPRESSED HEREON THE SEAL OF STATE ON
JUNE 12, 1992



John Hannah Jr.
Secretary of State

EXHIBIT 4

NETWORK OPERATOR SERVICES, INC.

BOARD OF DIRECTORS

Timothy C. Martin, 1603 Fowler Street, Longview, Texas 75603

Ronald F. Martin, 1603 Fowler Street, Longview, Texas 75603

Richard D. Martin, 4455 Harvest Hill, Dallas, Texas 75324

Tony F. Rothrock, Rt. 2, 247 1/2 Hamby Road, Longview, Texas 75606

CORPORATE OFFICERS

President - Timothy C. Martin, 1603 Fowler, Longview, Texas 75603

Vice-Pres. - Ronald F. Martin, 1603 Fowler, Longview, Texas 75603

Treasurer - Timothy C. Martin, 1603 Fowler, Longview, Texas 75603

Secretary - Linda Martin, #2 Joaquin Ct., Longview, Texas 75604

NETWORK OPERATOR SERVICES, INC.
BALANCE SHEET
APRIL 30, 1992

ASSETS

CURRENT ASSETS		
CASH - MONEY MARKET	\$29,005	
CASH IN BANK-CD	50,000	
PETTY CASH	800	
INVESTMENTS	11,401	
ACCOUNTS RECEIVABLE	1,392,336	
PREPAID ACCOUNTS	3,273	
DEPOSITS-SERVICE LINES	1,552	

TOTAL CURRENT ASSETS		1,488,367
NOTES RECEIVABLE		220,032
FIXED ASSETS		
EQUIPMENT	612,363	
OFFICE FURNITURE	47,858	
SOFTWARE	157,885	
AUTOMOBILES	41,141	
ACCUMULATED DEPRECIATION	(542,783)	

TOTAL FIXED ASSETS		316,464

TOTAL ASSETS		2,024,863
		=====

NETWORK OPERATOR SERVICES, INC.
BALANCE SHEET
APRIL 30, 1992

LIABILITIES AND EQUITY

CURRENT LIABILITIES

ACCOUNTS PAYABLE	\$646,940
TAXES PAYABLE	29,444
ACCRUED PAYROLL	42,136

TOTAL CURRENT LIABILITIES

718,520

LONG-TERM LIABILITIES

TONY ROTHROCK	400,000
R D MARTIN	350,000
MARY ROTHROCK	100,000
CAROL ROTHROCK	200,000

TOTAL LONG-TERM LIABILITES

1,050,000

TOTAL LIABILITIES

1,768,520

STOCKHOLDERS' EQUITY

PAID IN CAPITAL	427,793
CAPITAL STOCK	10,000
RETAINED EARNINGS	(181,450)

TOTAL EQUITY

256,343

TOTAL LIABILITIES AND EQUITY

\$2,024,863

NETWORK OPERATOR SERVICES, INC.
Proforma Balance Sheet - 1992

	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
CURRENT ASSETS								
Cash	92,161	200,391	200,392	258,781	249,501	249,501	249,501	249,501
Money Market	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
CDs	800	800	800	800	800	800	800	800
Accounts Receivable	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Investments	1,474,650	1,981,454	2,412,513	2,548,757	2,509,786	2,455,994	2,390,952	2,400,690
Accounts Payable	1,474,650	1,981,454	2,412,513	2,548,757	2,509,786	2,455,994	2,390,952	2,400,690
Advance	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420
Deposits	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420
TOTAL ASSETS	1,631,731	2,746,765	3,111,969	3,239,834	3,123,943	3,008,600	2,880,775	2,831,497
CURRENT LIABILITIES								
Accounts Payable	215,031	212,656	210,339	208,081	205,882	203,744	201,666	199,650
Accounts Receivable	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297
Allowances	2,147,059	3,259,718	3,622,605	3,748,212	3,630,122	3,512,641	3,382,738	3,331,444
TOTAL LIABILITIES	761,398	1,121,081	1,149,706	1,169,527	1,099,482	1,126,514	1,083,883	1,139,276
STOCKHOLDERS EQUITY								
Common Stock	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Paid in Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Retained Earnings	1,811,398	2,882,965	3,143,534	3,163,355	3,063,310	2,853,746	2,643,666	2,495,921
TOTAL EQUITY	1,811,398	2,882,965	3,143,534	3,163,355	3,063,310	2,853,746	2,643,666	2,495,921
STOCKHOLDERS EQUITY								
Common Stock	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Paid in Capital	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793
Retained Earnings	(102,132)	(61,039)	41,278	147,064	129,019	221,102	301,280	397,730
TOTAL EQUITY	335,661	376,754	479,071	584,857	566,812	658,895	739,073	835,523
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	2,147,059	3,259,718	3,622,605	3,748,212	3,630,122	3,512,641	3,382,738	3,331,444

NETWORK OPERATOR SERVICES, INC.
PROFORMA BALANCE SHEET - 1993

CURRENT ASSETS	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Money-Market	281,042	243,160	322,161	238,435	317,736	292,215	366,457	451,447	441,774	613,538	714,047	854,454
Money-Market	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Money-Market	800	800	800	800	800	800	800	800	800	800	800	800
Investments	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Accounts Receivable	2,381,742	2,216,856	2,317,611	2,408,490	2,441,306	2,490,278	2,546,918	2,590,129	2,498,203	2,443,383	2,378,768	2,387,477
Commission Advance	53,831	0	0	0	0	0	0	0	0	0	0	0
Deposits	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420
TOTAL	2,781,534	2,524,936	2,704,692	2,711,845	2,823,962	2,847,413	2,978,296	3,106,496	3,004,897	3,121,841	3,157,735	3,306,851
Long Term Receivables	197,697	195,807	193,981	192,220	190,525	188,897	187,336	185,843	184,419	183,065	181,782	180,571
Fixed Assets, less allowances	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297	300,297
TOTAL ASSETS	3,279,528	3,021,040	3,198,970	3,204,362	3,314,784	3,336,607	3,465,929	3,592,636	3,489,613	3,605,203	3,639,814	3,787,719
CURRENT LIABILITIES												
Accounts Payable	1,107,413	1,065,233	1,173,067	1,166,284	1,178,670	1,199,970	1,219,208	1,231,979	1,148,301	1,167,393	1,118,867	1,169,262
Line of Credit	306,645	25,645	0	0	0	0	0	0	0	0	0	0
LONG-TERM LIABILITIES												
Loans from Shareholders	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Other	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
TOTAL LIABILITIES	2,464,058	2,140,878	2,223,067	2,216,284	2,228,670	2,249,970	2,269,208	2,281,979	2,198,301	2,217,393	2,168,867	2,219,262
STOCKHOLDERS EQUITY												
Capital Stock	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Paid in Capital	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793	427,793
Retained Earnings	377,677	442,370	538,110	550,285	648,321	648,845	758,928	872,865	853,519	950,017	1,033,154	1,130,664
TOTAL EQUITY	815,470	880,163	975,903	988,078	1,086,114	1,086,638	1,196,721	1,310,658	1,291,312	1,387,810	1,470,947	1,568,457
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	3,279,528	3,021,040	3,198,970	3,204,362	3,314,784	3,336,607	3,465,929	3,592,636	3,489,613	3,605,203	3,639,814	3,787,719

NETW : OPERATOR SERVICES, INC.

INCOME STATEMENT

FOR THE PERIOD ENDED APRIL 30, 1992

	----- MONTH TO DATE ----- ACTUAL	%	----- YEAR TO DATE ----- ACTUAL	%
REVENUE				
SALES - OPERATOR SERVICE	\$769,896	100.0 %	2,975,481	100.0
INTEREST INCOME	5,032	.7	21,794	.7
OTHER INCOME	3,155	.4	11,709	.4
SALES - ONE PLUS	19,807	100.0	51,960	100.0
TOTAL REVENUE	797,890	103.6	3,060,944	102.9
COST OF SERVICE				
COMMISSIONS	290,953	37.8	1,114,463	37.5
TELEPHONE SERVICES	146,291	19.0	515,828	17.3
BILLING & COLLECTIONS COST	113,505	14.7	449,315	15.1
CR CARD VALIDATION	10,397	1.4	37,018	1.2
OPERATOR WAGES	70,068	9.1	261,952	8.8
TOTAL COST OF SERVICE	631,214	82.0	2,378,576	79.9
GROSS PROFIT	166,676	21.6	682,368	22.9
OPERATING EXPENSES				
TOTAL OPERATING EXPENSES	154,640	20.1	575,095	19.3
NET INCOME (LOSS)	\$12,036	1.6 %	107,273	3.6

NET K OPERATOR SERVICES, INC.
 SCHEDULE OF OPERATING EXPENSES
 FOR THE PERIOD ENDED APRIL 30, 1992

	----- MONTH TO DATE -----	----- YEAR TO DATE -----	
	ACTUAL	%	ACTUAL
		%	%
OPERATING EXPENSES			
OFFICE SALARIES	\$54,835	7.1	225,603
DIRECTORS SALARIES	8,000	1.0	32,000
ADVERTISING	4,805	.6	10,582
HEALTH INSURANCE	3,361	.4	15,872
SOFTWARE EXPENSE	3,034	.4	9,063
TAX PAYROLL	4,191	.5	19,331
DEPRECIATION	11,087	1.4	43,262
AUTO EXPENSE	1,574	.2	7,002
BANK CHARGES	1,544	.2	2,241
SALES COMMISSIONS	2,138	.3	7,433
CONTRACT LABOR	4,212	.5	12,699
DONATIONS			345
DUES , PUBLICATIONS & FEES	816	.1	3,592
EMPLOYEE TRAINING	395	.1	3,840
TRAVEL EXPENSE	5,327	.7	5,973
FOOD	774	.1	1,888
ENTERTAINMENT	144	.0	3,212
EQUIPMENT RENT	2,087	.3	9,991
FREIGHT	1,101	.1	2,995
FIRE & THEFT INSURANCE	971	.1	3,090
WORKMANS COMPENSATION	1,002	.1	3,860
INTEREST	15,750	2.0	63,014
JANITORIAL EXPENSE	1,461	.2	2,838
LEGAL & PROFESSIONAL	300	.0	5,152
OFFICE SUPPLIES & POSTAGE	6,569	.9	13,991
MARKETING EXPENSE	1,753	.2	3,559
RENT-OFFICE	6,888	.9	27,551
PIC CHARGES	453	.1	747
RENT-STORAGE	89	.0	174
AUTOMOBILE INSURANCE	149	.0	2,091
MIS. EXPENSE	2,321	.3	3,084
PAGER SERVICE	96	.0	442
REPAIR & MAINTENANCE	1,380	.2	3,117
SERVICE AGREEMENT	3,328	.4	13,055
SUPPLIES	1,379	.2	6,665
TAX & LICENSE	10	.0	2,140
TELEPHONE	1,289	.2	3,522
UTILITIES	27	.0	80
TOTAL OPERATING EXPENSES	\$154,640	20.1	575,096
		%	19.3

CONSOLIDATED
Projected Income Statement 1992

	JAN-MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
REVENUE									
operator services	3,770,000	1,400,240	1,428,165	1,442,246	1,312,964	1,339,144	1,258,935	1,334,091	13,285,785
long distance services	88,000	33,000	38,000	43,000	50,000	57,000	63,000	70,000	442,000
total Revenue	3,858,000	1,433,240	1,466,165	1,485,246	1,362,964	1,396,144	1,321,935	1,404,091	13,727,785
COST OF SERVICES									
omissions	1,421,290	502,651	512,674	517,725	471,326	480,723	451,932	478,905	4,837,226
omissions-ICL	0	65,656	66,969	67,639	61,551	62,782	59,015	62,556	446,169
telephone services	678,694	247,663	- 255,024	260,119	242,861	251,053	241,269	257,479	2,434,162
billing & collection costs	569,900	211,686	216,125	218,487	199,445	203,722	191,990	203,614	2,014,968
operator wages	320,450	118,220	120,578	121,766	110,852	113,062	106,290	112,635	1,123,853
credit Card validation	65,975	24,510	24,999	25,245	22,982	23,441	22,037	23,352	232,541
total Cost of Services	3,056,309	1,170,386	1,196,369	1,210,982	1,109,017	1,134,781	1,072,533	1,138,541	11,088,918
GROSS PROFIT	801,691	262,854	269,796	274,264	253,947	261,362	249,402	265,551	2,638,867
OPERATING EXPENSES	692,600	159,400	160,400	161,400	162,800	164,200	165,400	166,800	1,833,000
INTEREST EXPENSE-LINE OF CREDIT	0	5,339	7,079	7,079	6,854	5,079	3,823	2,300	37,553
NET INCOME	109,091	98,115	102,317	105,786	84,294	92,083	80,178	96,451	768,314

NETWORK OPERATOR SERVICES, INC.

ORIGINAL SHEET 1

TITLE SHEETARIZONA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service for long distance telecommunications, including the provision of operator services, provided by Network Operator Services, Inc., with principal offices located at 119 West Tyler, Suite 260, Longview, Texas, 75601. This tariff applies for services furnished within the state of Arizona. This tariff is on file with the Arizona Corporation Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

CHECK SHEET

Sheets 1 through 10 inclusive of this tariff are effective as of the date of shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>SHEET</u>	<u>REVISION</u>
1	Original
1.1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
10.1	Original
10.2	Original

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606

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Tariff Format.....4

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SECTION 3

Intrastate Rates & Charges.....10

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

SYMBOLS

The following are the only symbols used for the purposes indicated below:

- D - Delete or Discontinue
- I - Change Resulting In An
Increase to A Customer's Bill
- M - Moved From Another Tariff Location
- N - New
- R - Change Resulting In A Reduction
to A Customer's Bill
- T - Change In Text or Regulation
But No Change In Rate or Charge

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Arizona Corporation Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, approval process the most current sheet number on file with the Commission is not always the tariff page in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1.(a).
- 2.1.1.A.1.(a).I.
- 2.1.1.A.1.(a).I.(i).
- 2.1.1.A.1.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the Arizona Corporation Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Arizona Corporation Commission.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606

RULES

RULE 1 - TECHNICAL TERMS AND ABBREVIATIONS

ACCESS LINE - An arrangement which connects the customer's location to Network Operator Services, Inc. switching center.

AUTHORIZATION CODE - A numerical code which enables a customer to access the carrier.

CALLED STATION - Denotes the terminating point of a call (i.e., the called telephone number).

CALLING CARD - A card assigned by local telephone companies which enables users to bill telephone calls to their local telco account.

COLLECT CALL - A payment arrangement whereby the called station accepts billing for the call placed through Network Operator Services, Inc.

COMPANY OR CARRIER - Network Operator Services, Inc.

CUSTOMER - Denotes any individual, partnership, association, corporation, or any other entity who subscribes to the services offered in this tariff.

DIRECT DIAL (1+) CALLS - Calls placed without the assistance of an operator.

LATA - (Local Access Transport Area) A geographic area established as required by the Modified Final Judgment in the government's antitrust suit against the Bell System for the provision and administration of communication services.

OPERATOR ASSISTED CALLS - Calls which require the assistance of an operator for completion. For example, collect calls.

PERSON TO PERSON CALL - A service arrangement whereby the caller specifies to the operator a particular person, department, mobile station, extension, or office to be reached.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULE 1 - CONT.

SERVICE CHARGE - A charge added to the basic mileage rate for a telephone call for the assistance of an operator or the usage of a calling card.

SURCHARGE - A separate non-regulated charge added to the cost of the telephone call. This amount is set by the owner of the telephone.

THIRD PARTY BILLING - A payment arrangement which allows the end user to assign billing to a telephone number which is different from the calling or called telephone number.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULE 2 - SERVICE OFFERINGS

Network Operator Services, Inc. provides 24 - hour long distance services, including operator assisted services. We handle direct dial (1+) calls, collect calls, person to person calls, calling card calls, and calls billed to a third number.

RULE 3 - UNDERTAKING OF NETWORK OPERATOR SERVICES, INC.

Network Operator Services, Inc. provides long distance service (direct dial) directly to residence and business customers.

Network Operator Services, Inc. also provides operator assistance for pay telephones, hotels and motels, hospitals, airports, colleges, etc. Services are provided to subscribed customers for all operator assisted traffic on their phones.

RULE 4 - TIMING OF CALLS

Network Operator Services, Inc. begins charges on a call when a connection is made. The minimum charge is for one minute, and charges are calculated on either a per minute basis or in six second increments.

RULE 5 - INCOMPLETE CALLS

Calls which are not completed (busy numbers, no answer, etc.) are not billed.

RULE 6 - CREDITS AND REFUNDS

If a credit is requested on a call due to trouble on the line (such as a bad connection, disconnection, wrong number dialed, etc.), and the credit is requested immediately through the operator, it is usually issued immediately. All other credit requests are handled through our business office.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

RULE 7 - CALCULATION OF DISTANCE

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of a call. For the purpose of determining airline mileage, vertical and horizontal grid lines have been established across the United States and Canada. The spacing between adjacent vertical grid lines and between horizontal grid lines represents a distance of one coordinate unit. This unit is the square root of 0.1, expressed in statute miles. Network Operator Services, Inc. uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape.

FORMULA:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

NOTE: The difference is always obtained by subtracting the smaller coordinate from the larger coordinate.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606

RULE 8 - BILLING OF SERVICES

Long distance calls, including direct dial and operator assisted calls, that are handled by Network Operator Services, Inc. will be billed to the user's LEC (local exchange carrier) telephone bill unless the end user has a direct billing arrangement with Network. Network Operator Services, Inc. will submit call records directly to U.S. West or through OAN, a clearinghouse located in Van Nuys, California. All calls will be processed at Network's tariffed rate. U.S. West and OAN will handle billing inquiries on behalf of Network. End user telephone bills will contain a toll-free customer service number. U.S. West and OAN are authorized to resolve disputes and adjust a user's bill whenever necessary. When U.S. West or OAN is unable to resolve an inquiry, the caller is referred to Network's toll-free customer service number for assistance. Network's number is 800-530-4898.

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

SECTION 3 - RATESDIRECT DIAL (1+) and OPERATOR ASSISTED3.1 Intrastate/Interlata RatesDAY

<u>Miles</u>	<u>Initial Minute</u>	<u>Each Additional Minute</u>
1 - 10	.24	.11
11 - 22	.33	.16
23 - 55	.34	.19
56 - 124	.36	.24
125 - 292	.37	.27
293 - 9999	.38	.28

EVENING

<u>Miles</u>	<u>Initial Minute</u>	<u>Each Additional Minute</u>
1 - 10	.16	.07
11 - 22	.22	.10
23 - 55	.24	.13
56 - 124	.27	.16
125 - 292	.28	.17
293 - 9999	.28	.19

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

NIGHT

<u>Miles</u>	<u>Initial Minute</u>	<u>Each Additional Minute</u>
1 - 10	.12	.06
11 - 22	.17	.08
23 - 55	.20	.10
56 - 124	.23	.13
125 - 292	.23	.15
293 - 9999	.26	.16

3.2 Service Charges for Operator Assisted Calls

Network Operator Services, Inc. will charge the following service charges for operator assisted calls and credit card calls:

Calling Card (except NETWORK TRAVEL CARD)

You dial 0+ area code and number - \$.50

You dial just 0 - \$ 1.30

Collect and Bill to Third Party

You dial 0+ area code and number - \$ 1.30

You dial just 0 - \$ 1.30

Person to Person

You dial 0+ area code and number - \$ 3.00

You dial just 0 - \$ 3.00

3.3 Location Surcharge

Maximum location surcharge - \$ 1.00

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606

3.4 Network Travel Card Rates

Calls billed to a travel card issued by Network will be billed at 35¢ for the first minute and 30¢ for each additional minute. Network does not impose a service charge on these calls.

3.5 Translation "800" Rates

Rate Tables are assigned to "800" accounts according to monthly volume. Accounts are initially assigned to the highest rate table. Rate tables may be reassigned as volume increases.

Rate Table 50 - Volume \$500 + Monthly: 19¢ per minute

Rate Table 51 - Volume between \$200 & \$500 Monthly - 21¢ per minute

Rate Table 52 - Volume below \$200 Monthly - 24¢ per minute

Issued: June 29, 1992

Effective: Upon Approval

Network Operator Services, Inc.

P.O. Box 3529

Longview, TX 75606



NETWORK

AFFIDAVIT

State of Texas)

County of Gregg)

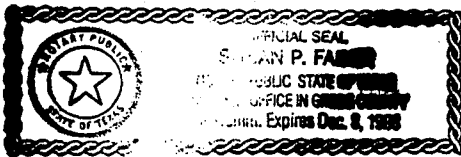
BEFORE ME, the undersigned authority, on this day personally appeared Ronald L. Hutchison, known to me to be the Affiant, whose name is subscribed hereto, and said Ronald L. Hutchison being duly sworn states as follows:

"On the 7th day of July, 1992, I on behalf of Network Operator Services, Inc., (NOS), caused to be filed with the Arizona Corporation Commission, Network's completed Application for a Certificate of Convenience and Necessity, to provide Network services in the State of Arizona."

Ronald L. Hutchison

Affiant

Subscribed and acknowledged before me and by the said Ronald L. Hutchison, Affiant, this 31st day of August, A.D., 1992.



Susan P. Faller

Notary Public in and for
the State of Texas

My Commission expires: 12-8-93

Lance J.M. Steinhart
Attorney At Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097

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Arizona Corporation Commission
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DOCKET NO. 1-02679-92-0190

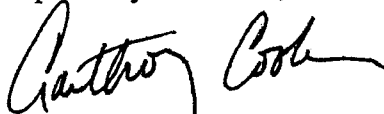
Re: Network Operator Services, Inc. - Docket No. U-2679-92-190

Dear Sir/Madam:

Enclosed please find for filing an original and ten (10) copies of Network Operator Services, Inc.'s illustrative tariff and updated information form to be filed as supplemental information in the Application and Petition for Certificate of Convenience and Necessity to Provide Competitive Intrastate Telecommunications Services as a Long Distance Reseller and AOS Provider in Docket No. U-2679-92-190.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Respectfully submitted,



Anthony Cooke
Director of Government Affairs for
Lance J.M. Steinhart
Attorney for Network Operator Services, Inc.

Enclosures

cc: Susan Faber



ARIZONA CORPORATION COMMISSION
UPDATED INFORMATION FORM

(Please check the paragraphs that apply to the company's situation)

Return to: Cynthia Mercurio-Sandoval
Arizona Corporation Commission -Utilities Division
1200 W Washington
Phoenix, Arizona 85007

- ☒ 1. The full name and address of the applicant for a Certificate of Convenience and Necessity (CC&N) to resell telecommunications services within the State of Arizona and for a determination that services of the company are competitive is:

Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606

- ☒ 2. The company is currently providing service in Arizona? ☒ Yes ☐ No

- ☐ 3. The company no longer wants to do business in Arizona. A Request Withdraw it's application will be filed by submitting an original and 10 copies of Request To Withdraw and a Docket Cover Sheet, to the Docket Control Center, 1200 Washington, Phoenix, AZ 85007 by **February 11, 2000** (Form attached for your convenience)

- ☒ 4. The company wishes to have its application processed, and therefore, will file updated information, including name, address, names of contact people, their addresses; telephone numbers and e-mail addresses in the Docket Control Center.

- ☒ 4a. The updated information will be provided by mailing an original Amended Application, 10 copies and a Docket Cover Sheet to: the Docket Control Center, 1200 W Washington, Phoenix, AZ 85007, by **February 11, 2000**.

- ☐ 5. The company wishes to have its application processed and all information in the pending application is accurate and current.

Susan Faber 2-3-2000
Name of person completing form (Please print) Date

Director, Billing Operations
Title of person completing form

903.323.4500
Phone number of person completing form

NETWORK OPERATOR SERVICES, INC.

ORIGINAL TITLE SHEET NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

TITLE SHEET

NETWORK OPERATOR SERVICES, INC.

SCHEDULE OF RATES, CHARGES AND REGULATIONS

APPLYING TO POINT-TO-POINT COMMUNICATIONS SERVICES

WITHIN THE STATE OF ARIZONA

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

CHECK SHEET

Title Sheet and Sheets 1-19, inclusive, of this tariff are effective as of the date shown. Revised sheets contain all changes from the original tariff that are in effect on the date indicated.

Sheets in this tariff are as follows:

<u>SHEET</u>	<u>REVISION</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

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Application of Tariff.....	6
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Section B - Rules and Regulations.....	9
Section C - Description of Services Offered.....	15
Section D - Rates and Charges.....	17

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

PARTICIPATING CARRIERS

None

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

EXPLANATION OF SYMBOLS

- (C) To signify changed listing, rule, or condition that may affect rates or charges
- (D) To signify discontinued material, including listing, rate, rule or condition
- (I) To signify increase
- (M) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule, or condition
- (N) To signify new material including listing, rate, rule, or condition
- (R) To signify reduction
- (T) To signify change in wording of text but no change in rate, rule, or condition

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

NETWORK OPERATOR SERVICES, INC.

ORIGINAL TITLE SHEET NO. 6

TELECOMMUNICATIONS SERVICES TARIFF

APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable to the provision of intrastate telecommunications services by Network Operator Services, Inc. within the state of Arizona.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION A - DEFINITIONS

Aggregator - The person, firm, partnership, corporation, or other entity who owns, leases, or manages the pay telephone, PBX, or other switch vehicle from which an End User places a call utilizing the services of Network Operator Services, Inc.

Billing Agent - A corporation that has established billing and collection agreements with various Bell Operating Companies and independent telephone companies whose service is available to the Company for billing and collection.

Called Station - The terminating point of a call (i.e., the call number).

Calling Card Call - A billing arrangement whereby an end user may charge a call to a valid calling card issued by a regulated local exchange company with whom Company has billing and collection arrangements, either directly or indirectly through a third party billing agent.

Calling Station - The originating point of a call (i.e., the calling number).

Collect Call - A billing arrangement by which the charge for a call may be charged to the called station, provided the called station accepts responsibility for such charge when asked by the Company Operator.

Commission - The Arizona Corporation Commission

Company - Network Operator Services, Inc.

Credit Card Call - A billing arrangement whereby an end user may charge a call to a valid commercial credit card. American Express, VISA and Master Card are examples of cards accepted by Network Operator Services, Inc.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION A - DEFINITIONS (Continued)

End User - Any person, firm, partnership, corporation, or other user furnished telecommunication services under the provisions and regulations of this tariff.

Direct Dialed (1+) Calls - Calls billed to the originating telephone line and placed without the assistance of an operator.

Incomplete Call - Any call where voice transmission between the calling and called station is not established (i.e., busy, no answer, etc.)

Operator Station-to-Station - A service other than person-to-person whereby the assistance of an operator is required to complete a call originated by the end user.

Person-to-Person Call - A service whereby the end user originating the call specifies to the operator a particular person, station, room number, department or office to be reached through a PBX attendant.

Service Charge - A charge added to the basic mileage rate for a telephone call for the assistance of an operator or the usage of a calling card.

Third Party Billed Call - A billing arrangement by which the charges for a call are billed to a number that is different from the calling number and the called number; provided the third party accepts responsibility for the charge when asked by the operator.

Translation (Inbound) "800" Service - Calling service that allows the charges for incoming calls to be billed to the recipient of the calls.

Travel Card - A card assigned by Network Operator Services, Inc., which allows its customers to bill telephone calls to their Network Operator Services, Inc., account.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION B - RULES AND REGULATIONSB.1 Undertaking of Network Operator Services, Inc.

The Company provides long distance service (direct dial, inbound "800", and travel card calling) directly to residence and business customers.

The Company also provides operator assistance services (intrastate intraLATA, intrastate interLATA and interstate) for pay telephones, hotels, and motels, hospitals, airports, colleges, etc. Service is provided to aggregators for all operator assisted traffic on their phones. Such services are provided to end users from aggregator locations through the Company's Longview, TX switching/operator center via resold transmission facilities procured from interexchange carriers (IXCs) and in accordance with provisions of this tariff and with the requirements of the Arizona Corporation Commission's Alternate Operator Service Rules (A.A.C. R14-2-1001 through R14-2-1014).

B.2 Limitations

B.2.1 Service is offered subject to the availability of the necessary facilities or equipment, and subject to the provisions of this tariff.

B.2.2 Company reserves the right to discontinue service when necessitated by conditions beyond its control, or when the end users or aggregator is using the service in violation of the provisions of this tariff and/or Commission rules and regulations.

B.2.3 Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

B.2.4 Company reserves the right to refuse service to end users due to insufficient or invalid billing information and/or refusal or a third or called party to accept billing.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION B - RULES AND REGULATIONS (Continued)

B.3 Use

B.3.1 Services provided under this tariff may be used only for the transmission of communications by end users from aggregator locations in a manner consistent with the terms of this tariff.

B.3.2 Services provided under this tariff shall not be used for unlawful purposes.

B.4 Liability

B.4.1 Company's liability, if any, for its willful misconduct is not limited by this tariff. With respect to any other claim or suit, by an end user, Aggregator, or any other, for damages associated in any way with the installation, provision, termination, maintenance, repair, restoration or use of services governed by this tariff, including any and all equipment and facilities incidental to or associated with such services, Company's liability, if any, shall not exceed an amount equal to the charge applicable under this tariff to the period during which services were affected. This liability for damages shall be in addition to any amounts that may otherwise be due the end user under provisions of this tariff, if any, as a credit allowance.

B.4.2 Company is not liable for any damages caused in whole or in part by, or associated with, any service (including but not limited to channels, maintenance, repair or restoration) or equipment which it did not furnish.

B.4.3 In the event Company is subjected to any liability or damages for its acts or omissions, other than willful misconduct, notwithstanding the provisions of the two preceding sections, Company shall be indemnified, defended, and held harmless by the Aggregator and end user against all claims, losses, or damages arising in whole or in part from, or in any way associated with, the installation, provision, termination, maintenance, repair, restoration or use of services governed by this tariff, including any and all equipment and facilities incidental to or associated with such services.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
 NETWORK OPERATOR SERVICES, INC.
 P.O. BOX 3529
 LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION B - RULES AND REGULATIONS (Continued)

B.4.4 Company's failure to provide, maintain or restore service under this tariff shall be excused by labor difficulties, governmental orders, civil commotions, acts of God, and other circumstances beyond Company's reasonable control, subject to the Credit Allowances in this tariff, if any, applicable to interruptions in service.

B.5 Terminal Equipment

Company's facilities and service may be used with or terminated in aggregator provided terminal equipment or aggregator provided communications systems, such as a PBX or pay telephone. Such terminal equipment shall be furnished and maintained at the expense of the aggregator, except as otherwise provided. The aggregator is responsible for all costs at his or her premises, including personnel, wiring, electrical power and the like, incurred in the use of Company's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunication industry. Further, owners of pay telephones must operate such equipment in accordance with applicable Arizona State Corporation Commission regulations and orders.

B.6 Installation and Termination

B.6.1 Service is provided upon contractual agreement between the Aggregator and Company. The agreement specifies the terms and conditions of service, termination of service, commission structure, and commission payment arrangements.

B.6.2 Aggregators must program their equipment to route the following call types directly as dialed by the end user to the local exchange carrier:

- a) all calls dialed 9-1-1

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION B - RULES AND REGULATIONS (Continued)

B.6.3 Each aggregator must post conspicuously on or near telephone subscribed to Company for operator services a form containing the following information:

1. Operator Service Provider:
Network Operator Services, Inc.
P.O. Box 3529
Longview, TX 75606
1/800-530-4899
2. Statement:
"Company's rates, operator surcharges, and location specific surcharges apply to all operator assisted calls."
3. Dialing instructions for all calls; applicable to the location
4. Statement:
"For billing inquiries or service complaints dial 1/800-530-4899."
5. Statement:
"You may use another long distance carrier. Follow your Carrier's instructions or contact the Local Exchange Operator for assistance."

B.6.4 All calls will be branded twice in accordance with federal regulations to give end users the opportunity to disconnect before charges are incurred.

B.6.5 Aggregators may not block access to other carriers.

B.6.6 Call Splashing

When an end user asks for a preferred carrier other than Company, the end user will be instructed to reach the carrier by dialing that carrier's access code.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION B - RULES AND REGULATIONS (Continued)

B.6.7 Violation of any requirement and specifically those detailed in B.6.2, B.6.3 and B.6.5 shall, if continued after proper notice and opportunity for correction, result in termination of service to the aggregator.

B.7 Payment for Service and Credit Allowance

B.7.1 All charges due by the end user are payable to any agency duly authorized to receive such payments. The billing agency may be a Local Exchange Company with whom Company has Billing and Collection Agreements; a billing agent through Local Exchange Companies with whom such billing agent has Billing and Collection Agreements; or a credit card company. Due dates and methods of payment are those specified by the billing agency.

B.7.2 End users may receive credit adjustments up to an allowable amount for contested charges by contacting the billing agency whose number is shown on the end user's bill. Adjustments exceeding these allowances, if any, will be authorized after appropriate investigation. Credit card companies will credit the contested amount(s) and notify Company for investigation and rebilling if appropriate.

B.7.3 Incomplete calls are not billed.

B.8 Credit Checks and Deposits

1+ customers may be subject to a credit check before Company agrees to provide service. Based on credit information obtained, a deposit may be required. Company does not require a deposit from aggregators that contract with Company for operator services.

B.9 Advance Payments

Company does not require advance payments from its 1+ customers or aggregators.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.

P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION B - RULES AND REGULATIONS (Continued)

B.10 Complaint Procedures

Inquiries and complaints regarding Company's service may be communicated as follows:

For 1+ Services: Network Operator Services, Inc.
Linda Faber
Director, 1+ Customer Service
P.O. Box 3529
Longview, TX 75606
1/800-530-4896

For Operator Services: Network Operator Services, Inc.
India Harvey
0+ Customer Service Account Executive
P.O. Box 3529
Longview, TX 75606
1/800-474-6674

For 1+ Services: India Harvey
Supervisor, Customer Inquiry
P.O. Box 3529
Longview, TX 75606
1/800-530-4898

Complaints/inquiries that can be resolved by telephone will be processed within three (3) working days of receipt. Complaints/inquiries requiring investigation will be resolved within 10 working days of receipt. Company will respond in writing to all written inquiries and when appropriate, forward the response to the Commission.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION C - DESCRIPTION OF SERVICE OFFERED

C.1.1 Company provides 24-hour long distance services, including operator services. The Company provides direct dial (1+) calls, translation (inbound) "800" calls, collect calls, person-to-person calls, calling card calls, Company travel card calls, commercial bank card calls (when available at a particular location), and calls billed to a third number. Calls are routed over designated carrier facilities to Company's Longview, Texas switch center.

C.1.2 Calls requiring operator intervention will be routed to an operator position. Company operators (both live operator systems and automated operator systems) will answer each call by identifying Company as the service provider.

C.1.3 Billing information will be collected. On operator service traffic, validation will be performed on billing information. Authorized calls will be released for completion and call timing will be performed in the processing switch.

C.2 Billing Methods

For operator service traffic, end users may select any one of the following billing methods:

- A. Bill to a valid calling card
- B. Bill to a valid major credit card (at most locations)
- C. Bill to a called number (collect), provided however that the called party agrees to pay said charges
- D. Bill to a third number, provided that the third party accepts responsibility for payment of charges

C.3 Timing of Calls

C.3.1 Direct dial, "800", travel card, calling card and commercial card calls: Timing begins when a connection is established between the calling and called stations.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.

P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION C - DESCRIPTION OF SERVICE OFFERED (Continued)

C.3.2 Collect calls: Timing begins when the operator releases the call after charges have been accepted.

C.3.3 Third Party calls: Timing begins when the calling station is connected to the called station after the third party accepts the charges.

C.3.4 Person to Person calls: Timing begins when the caller is connected to the specified party.

C.3.5 Chargeable time ends when the calling station "hangs up" thereby releasing the network connection.

C.3.6 For billing purposes, chargeable time is based on the actual duration as defined above. On operator services traffic, calls are rounded up to the next full minute. Some locations may have three (3) minute minimum billing requirements. On direct dial services, charges are calculated according to customer specific agreements. Charges may be based on six (6) second, thirty (30) second or one (1) minute increments.

C.4 Calculation of Distance

The rates set forth are mileage sensitive and based on the airline distance between rate centers associated with the originating and terminating points of the call.

Formula:

$$\sqrt{\frac{[(V_1 - V_2)^2 + (H_1 - H_2)^2]}{10}}$$

The mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers and associated with the rate centers involved. Company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V&H Coordinates Tape.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION D - RATES AND CHARGESD.1 General

The rates and charges set forth following are applicable to calls originating and terminating within the state of Arizona.

D.2 Operator Assisted RatesIntraLATA Operator Services Rates

All Mileage Bands \$0.30 Per Minute

IntraLATA Operator Per Call Surcharges

LEC and Credit Card Calls:

Automated Calls

LEC Card \$0.50

Credit Card \$0.50

Customer Dialed & Operator Assisted

LEC Card \$0.85

Credit Card \$0.85

Operator Dialed Card Calls

LEC Card \$1.30

Credit Card \$1.30

Collect Calls \$1.30

Third Party Billed Calls \$1.30

Person to Person Calls \$3.50

Property Surcharge** \$0.00 - \$2.00

** At the election of the subscriber, an additional property surcharge not to exceed \$2.00 per call shall apply.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.

P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION D - RATES AND CHARGES (Continued)InterLATA Operator Services Rates

<u>Mileage Band</u>	<u>1st Minute</u>	<u>Add'l Minute</u>
0 - 10	\$0.30	\$0.17
11 - 22	\$0.40	\$0.22
23 - 55	\$0.45	\$0.27
56 - 124	\$0.52	\$0.33
125 - 292	\$0.53	\$0.36
293 & over	\$0.58	\$0.38

InterLATA Operator Per Call Surcharges

LEC and Credit Card Calls:

Automated Calls

LEC Card	\$0.95
Credit Card	\$1.50

Customer Dialed & Operator Assisted

LEC Card	\$0.95
Credit Card	\$1.50

Operator Dialed Card Calls

LEC Card	\$2.30
Credit Card	\$2.30

Collect Calls

Third Party Billed Calls

Person to Person Calls

Operator Dialed Surcharge - Customer Dialed

Operator Dialed Surcharge - Operator Dialed

Property Surcharge**

** At the election of the subscriber, an additional property surcharge not to exceed \$2.00 per call shall apply.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

TELECOMMUNICATIONS SERVICES TARIFF

SECTION D - RATES AND CHARGES (Continued)D.3 Long Distance, Inbound 800/888, and Travel Card RatesDirect Dial (1+)

Per minute, all mileage bands	\$0.055 to \$0.13
-------------------------------	-------------------

Translation "800" (Inbound)

Per minute, all mileage bands	\$0.085 to \$0.20
Payphone Surcharge	\$0.40

Company Travel Card Rates

Per minute, all mileage bands	\$0.10 to \$0.35
Payphone Surcharge	\$0.40

IntraLATA traffic carried by Company, whether intentional or incidental, will only be permitted when the required compensation has been paid to the LEC.

ISSUED: _____

EFFECTIVE: _____

LINDA MARTIN, VICE PRESIDENT
NETWORK OPERATOR SERVICES, INC.
P.O. BOX 3529
LONGVIEW, TX 75606

Lance J.M. Steinhart
Attorney At Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097

Also Admitted in New York
and Maryland

Telephone:(770) 232-9200
Facsimile:(770) 232-9208

October 30, 2000

VIA FEDERAL EXPRESS

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

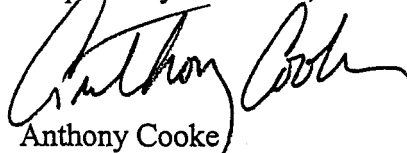
Re: Network Operator Services, Inc. -- Docket No. U-2679-92-190

Dear Sir/Madam:

Enclosed please find for filing an original and ten (10) copies of Network Operator Services, Inc.'s updated financial statements and additional information to be filed as a supplement to the Application and Petition for Certificate of Convenience and Necessity to Provide Competitive Intrastate Telecommunications Services as a Long Distance Reseller and AOS Provider in Docket No. U-2679-92-190.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

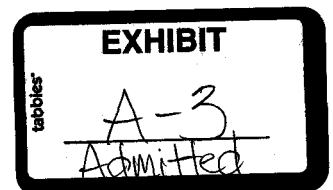
Respectfully submitted,



Anthony Cooke
Director of Government Affairs for
Lance J.M. Steinhart
Attorney for Network Operator Services, Inc.

Enclosures

cc: Susan Faber



Network Operator Services, Inc.
Docket No. U-2679-92-190
October 30, 2000

- 1) Attached hereto as Exhibit A are Network Operator Services, Inc.'s Income Statement for the six months ended June 30, 2000, and Balance Sheet as of June 30, 2000.
- 2) Network Operator Services, Inc., filed a proposed tariff with the Commission on May 12, 2000.
- 3) Network Operator Services, Inc., is currently reselling telecommunications service in Arizona.
- 4) Network Operator Services, Inc., is currently providing telecommunications service in all states except Alaska, Connecticut and North Carolina.
- 5) Network Operator Services, Inc., requests authorization to provide services statewide.
- 6) Network Operator Services, Inc.'s Officers and Directors have not changed.
Network Operator Services, Inc.'s owners and percentage of ownership:

Tim Martin	11.33%
Ron Martin	11.33%
Tony Rothrock	25.00%
Sara Martin	26.75%
Michael Martin	1.70%
Richard Martin	1.70%
Jeffrey Martin	1.70%
Mary Rothrock	4.00%
Peggy McMillan	1.00%
Ron Hutchison	7.50%
Linda Martin	1.50%
Lauren Hutchison	0.38%
Amanda Hutchison	0.37%
Emily Hutchison	0.37%
Samantha Hutchison	0.37%
Margie Abernathy	5.00%

EXHIBIT A

Network Operator Services, Inc.'s Income Statement for the six months ended June 30, 2000
and Balance Sheet as of June 30, 2000

Network Operator Services, Inc.

Balance Sheet

June 30,
2000

Current Assets:

Cash	1,052
Accounts Receivable - Trade	4,838,091
Accounts Receivable - Related Party	2,180,712
Inventory	55,294
Prepaid Expenses	109,809
Notes Receivable - Current Portion	-
Investments - Current	23,886
Other	191,658
Total Current Assets	7,401,502

Property & Equipment - net 1,140,120

Investments in Joint Ventures and Affiliates 1,854,367

Notes Receivable -
Shareholders, Officers, and Directors 819,881
Other 84,314

Total **11,310,184**

Liabilities And Shareholders' Equity

Current Liabilities:

Accounts Payable	7,031,358
Notes payable	-
Other Accrued Expenses	1,087,393
Total Current Liabilities	8,118,749

Long-Term Debt:

Notes Payable	2,004,074
Subordinated Notes Payable -	-
Shareholders, related parties, and others	-

Total Long-Term Debt **2,004,074**

Shareholders' Equity

Common Stock	10,000
Additional Paid-in Capital	427,793
Retained Earnings	772,195
Unrealized depreciation on marketable securities.	(22,615)

Total Shareholders' equity (deficit) **1,187,373**

Total **11,310,184**

Network Operator Services, Inc.
Statement of Income
Six Months Ended June 30, 2000

	<u>2000</u>
Revenue	28,598,518
Cost and Expenses:	
Cost of Operations	
Commissions	11,434,141
Telephone Services	9,748,088
Billings, Collections and Doubtful Accounts	1,687,476
Operator Wages	1,231,602
Other	634,834
Depreciation	230,298
Selling, General and Administrative	2,745,863
Total	<u>27,710,200</u>
Operation (Loss) Income	<u>888,318</u>
Other Income (Expense)	
Interest Expense	(189,037)
Interest Income	63,306
Other	1,152,365
Total Other Income (Expense)	<u>1,026,634</u>
Net (Loss) Income	<u><u>1,912,951</u></u>

COPY

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

RECEIVED

2001 MAR 20 P 4:36

Application For a Certificate of Convenience and Necessity to Provide
Resold Interexchange Service and Alternative Operator Services and
For Determination that Services of the Applicant are Competitive

Applicant: Network Operator Services, Inc.

Docket No.: T-02679A-92-0190

On July 7, 1992 the Applicant filed an application for a Certificate of Convenience and Necessity (CC&N) to provide resold interexchange services and alternative operator services within the State of Arizona. The first portion of this Staff Report refers to the provision of resold interexchange services and was completed by Marta Kalleberg. The second portion of this Staff Report refers to the provision of alternative operator services and was completed by Jim Fisher.

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N to provide competitive resold intrastate interexchange telecommunications services. Staff's review considers the Applicant's integrity, technical, and financial capabilities, and whether the Applicant's proposed rates will be competitive, just, and reasonable.

RESOLD INTEREXCHANGE
REVIEW OF APPLICANT INFORMATION

Staff makes the following finding, indicated by an "X," regarding information filed by the Applicant:

- ☒ The necessary information has been filed to process this application, and the Applicant has authority to transact business in the State of Arizona.
- ☐ The Applicant has published legal notice of the application in all counties where service will be provided.

Arizona Corporation Commission

DOCKETED

MAR 20 2001

DOCKETED BY

nae

EXHIBIT

tabbies

5-1

Admitted

**RESOLD INTEREXCHANGE
REVIEW OF TECHNICAL INFORMATION**

The Applicant has demonstrated sufficient technical capability to provide the proposed services for the following reasons, which are marked:

- ☒ The Applicant is currently providing service in Arizona.
- ☒ The Applicant is currently providing service in other states.
- ☒ The Applicant is a switchless reseller.
- ☐ The Applicant has provided a system diagram that depicts its network that is used for completing calls within Arizona. Local exchange carrier facilities are used to originate and terminate calls carried on the Applicant's interexchange network. The Applicant does not currently own any interexchange facilities. The facilities that are used to complete calls are obtained from a facilities-based carrier operating in the state.
- ☒ In the event the Applicant's network fails, end users can access other interexchange service providers.

**RESOLD INTEREXCHANGE
REVIEW OF FINANCIAL INFORMATION**

The Applicant has provided its unaudited financial statements for the period ending June 30, 2000. These financial statements list assets of \$11.31 million; shareholders' equity of \$1.19 million; and net income of \$1.91 million on revenue of \$28.60 million. Due to the unaudited nature of the financial statements, Staff believes the Applicant lacks sufficient financial resources to be allowed to charge customers any prepayments or deposits without posting a performance bond to cover such customer prepayments or deposits.

To that end, Staff recommends that the Applicant procure a performance bond equal to \$10,000. The minimum bond amount of \$10,000 should be increased if at any time it would be insufficient to cover prepayments or deposits collected from the Applicant's customers. Staff further recommends that proof of the above mentioned performance bond be docketed within 90 days of the effective date of an order in this matter or 30 days prior to the provision of service, whichever comes first.

Staff recommends that, after one year of operation under the CC&N granted by the Commission, the Applicant be allowed to file a request for cancellation of its established performance bond, and that such request be accompanied by information demonstrating the Applicant's financial viability. Upon receipt of such filing and after Staff review, Staff would forward its recommendation to the Commission for a Decision.

If this Applicant experiences financial difficulty, there should be minimal impact to the customers of this Applicant because there are many other companies that provide resold telecommunications service or the customers may choose a facilities-based provider. If the customer wants service from a different provider immediately, that customer is able to dial a 101XXXX access code. In the longer term, the customer may permanently switch to another company.

**RESOLD INTEREXCHANGE
REVIEW OF PROPOSED TARIFF AND FAIR VALUE DETERMINATION**

- ☒ **The Applicant has filed a proposed tariff with the Commission.**
- ☐ **The Applicant has filed with the Commission information sufficient to make a fair value determination.**

The Applicant has submitted proposed tariffs. Staff requires historical fair value information in order to provide tariff analysis and recommendations in terms of a fair value finding. Therefore, Staff recommends that, if the Applicant wishes to proceed with its certificate application, any tariffs filed in this matter be approved on an interim basis. If a certificate is conditionally granted and tariffs are authorized on an interim basis, the Applicant should be required to file in this Docket, within 18 months of the date it first provides service following certification, sufficient information for Staff analysis and recommendation for a fair value finding, as well as for an analysis and recommendation for permanent tariff approval. This information must include, at a minimum, the following:

1. A dollar amount representing the total revenue for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification, adjusted to reflect the **maximum rates** that the Applicant has requested in its tariff. This adjusted total revenue figure could be calculated as the number of units sold for all services offered times the maximum charge per unit.
2. The total actual operating expenses for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification.
3. The value of **all assets**, listed by major category, including a description of the assets, used for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

Staff further recommends that the Applicant's failure to meet the condition to timely file sufficient information for a fair value finding and analysis and recommendation of permanent tariffs should result in the expiration of the certificate and of the tariffs.

RESOLD INTEREXCHANGE COMPETITIVE SERVICES' RATES AND CHARGES

Competitive Services

The Applicant is a reseller of services it purchases from other telecommunications companies. It is not a monopoly provider of service nor does it control a significant portion of the telecommunications market. The Applicant cannot adversely affect the intrastate interexchange market by restricting output or raising market prices. In addition, the entities from which the Applicant buys bulk services are technically and financially capable of providing alternative services at comparable rates, terms, and conditions. Staff has concluded that the Applicant has no market power and that the reasonableness of its rates will be evaluated in a market with numerous competitors. In light of the competitive market in which the Applicant will be providing its services, Staff believes that the Applicant's proposed tariffs for its competitive services will be just and reasonable.

Effective Rates

The Commission provides pricing flexibility by allowing competitive telecommunication service companies to price their services at or below the maximum rates contained in their tariffs as long as the pricing of those services complies with A.A.C. R14-2-1109. The Commission's rules require the Applicant to file a tariff for each competitive service that states the maximum rate as well as the effective (actual) price that will be charged for the service. Because Staff believes that the market in which these services will be offered is competitive, Staff recommends approval on an interim basis of the rates proposed by the Applicant in its most recently filed tariffs. In the event that the Applicant states only one rate in its tariff for a competitive service, Staff recommends that the rate stated be the effective (actual) price to be charged for the service as well as the service's maximum rate. Any changes to the Applicant's effective price for a service must comply with A.A.C. R14-2-1109.

Minimum and Maximum Rates

A.A.C. R14-2-1109(A) provides that minimum rates for the Applicant's competitive services must not be below the Applicant's total service long run incremental costs of providing the services. The Applicant's maximum rates should be the maximum rates proposed by the Applicant in its most recent tariffs on file with the Commission. Any future changes to the maximum rates in the Applicant's tariffs must comply with A.A.C. R14-2-1110.

**RESOLD INTEREXCHANGE
STAFF RECOMMENDATIONS**

Staff has reviewed the Applicant's application for a Certificate of Convenience and Necessity to offer intrastate interexchange services as a reseller and its petition to classify its intrastate interexchange services as competitive. Based on its evaluation of the Applicant's technical and financial capabilities to provide resold intrastate interexchange services, Staff recommends approval of the application subject to the following:

1. The Applicant should be ordered to comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service;
2. The Applicant should be ordered to maintain its accounts and records as required by the Commission;
3. The Applicant should be ordered to file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate;
4. The Applicant should be ordered to maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require;
5. The Applicant should be ordered to comply with the Commission's rules and modify its tariffs to conform to these rules if it is determined that there is a conflict between the Applicant's tariffs and the Commission's rules;
6. The Applicant should be ordered to cooperate with Commission investigations of customer complaints;
7. The Applicant should be ordered to participate in and contribute to a universal service fund, as required by the Commission;
8. The Applicant should be ordered to notify the Commission immediately upon changes to the Applicant's address or telephone number;
9. The Applicant's intrastate interexchange service offerings should be classified as competitive pursuant to A.A.C. R14-2-1108;
10. The rates proposed by the Applicant in its most recently filed tariffs should be approved on an interim basis. The maximum rates for these services should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109;
11. In the event that the Applicant states only one rate in its proposed tariff for a competitive service, the rate stated should be the effective (actual) price to be charged for the service as well as the service's maximum rate; and

12. The Applicant be required to certify that all notification requirements have been completed.

Staff recommends approval of the application subject to the following conditions:

1. The Applicant should be ordered to file conforming tariffs within 30 days of an Order in this matter, and in accordance with the Decision;
2. Applicant should be required to file in this Docket, within 18 months of the date it first provides service following certification, sufficient information for Staff analysis and recommendation for a fair value finding, as well as for an analysis and recommendation for permanent tariff approval. This information must include, at a minimum, the following:
 - a. A dollar amount representing the total revenue for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification, adjusted to reflect the **maximum rates** that the Applicant has requested in its tariff. This adjusted total revenue figure could be calculated as the number of units sold for all services offered times the maximum charge per unit.
 - b. The total actual operating expenses for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification.
 - c. The value of **all assets**, listed by major category, including a description of the assets, used for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.
3. The Applicant's failure to meet the condition to timely file sufficient information for a fair value finding and analysis and recommendation of permanent tariffs should result in the expiration of the certificate and of the tariffs; and
4. In order to protect the Applicant's customers,
 - a. the Applicant should be ordered to procure a performance bond equal to \$10,000. The minimum bond amount of \$10,000 should be increased if at any time it would be insufficient to cover prepayments or deposits collected from the Applicant's customers;
 - b. proof of the performance bond should be docketed within 90 days of the effective date of an order in this matter or 30 days prior to the provision of service, whichever comes first; and
 - c. after one year of operation under the CC&N granted by the Commission, Staff recommends that the Applicant be allowed to file a request for cancellation of its established performance bond. Such request should be accompanied by information demonstrating the Applicant's financial viability. Upon receipt of such filing and after Staff review, Staff will forward its recommendation to the Commission for a Decision that the requested cancellation is in the public interest.

ALTERNATIVE OPERATOR SERVICES

Background

On July 7, 1992, Staff received an application from Network Operator Services, Inc. (NOS) for certification as an Alternative Operator Services provider in the state of Arizona. On May 11, 2000, NOS provided supplemental tariff information to Staff. On August 18, 2000, NOS filed updated financial information.

Alternative Operator Services (AOS) is a sector focused service industry providing resold telecommunications and operator services to larger distinct customers, such as hotels, motels, health care and correctional facilities. The AOS provider will contract with the hotel or correctional facility to provide services. The hotel or correctional facility is referred to as an "aggregator" as in the ordinary course of its operations it allows for intrastate telephone services to be available to its patrons. The patrons of the "aggregator" are referred to as "end-users." AOS services are provided by routing all calls originating from the aggregator premise to the AOS provider, which then handles the call as required to meet the needs of the end-user.

"End-users" have no control over the aggregator's subscription for long distance service, and as such are essentially captive customers for telecommunications services. The Commission has previously determined that it is in the public interest to ensure that an end user using telecommunications services of an AOS provider be charged rates consistent with the corresponding rates and service charges of certified facilities-based toll carriers available to the calling public.

Staff has reviewed the authorized rates and service charges applicable to AOS providers. Staff reviewed the rates of AT&T Communications of the Mountain States, Inc. (AT&T), MCI Telecommunications Corporation, (MCI), Sprint Communications Company, (Sprint), Allnet Communications Services, Inc., (Allnet), and US West Communications of Arizona (US West). Staff then developed the attached Schedule 1 and 2, establishing maximum rates for the AOS services. These maximum rates coupled with discounting authority provide the market participants with the ability to compete on price and service quality. The Commission adopted this process in Decision No. 61274.

The Company

Network Operator Services, Inc. (NOS) is a Texas Corporation authorized to do business in Arizona with offices in Longview, Texas. As of April 1996, NOS provided services in Georgia, Louisiana, Texas, Virginia, New Mexico, Oklahoma, South Dakota, Missouri, Montana, Colorado, Iowa, Arkansas, Utah and Tennessee. The Company has been providing services to end-users in Arizona for more than five years.

No state has refused or revoked a certification for the Company, nor has the Company been involved in any state or federal formal complaint process. NOS has not been involved in any civil or criminal investigations, nor convicted of any criminal acts.

Customer inquiries are handled through a toll free number available during normal business hours. After hours an on-call representative handles inquiries 24 hours per day.

NOS network uses SS7 trunks interconnecting with WorldCom's point of presence in the LEC central office. The end-users calls are transported to the NOS facility in Longview, Texas via redundant broadband facilities. NOS also provides services on behalf of other AOS providers.

Financial Statements

Staff has reviewed the financial statements of NOS prepared by an independent auditor for the years ended 1992 through 1996, and for the six months ending June 30, 2000. The financial statements indicate that the company had positive net income in excess of \$1,900,000 as of June 30, 2000. Reported revenue was in excess of \$28 million for the same period. Total assets were reported in excess of \$7.4 million in the same period. The Company appears to have sufficient financial resources to provide its proposed alternative operator services.

The Commission has found competition in telecommunications services to be in the public interest. Competition inherently produces winners and losers. If an AOS provider encounters financial difficulty, there should be minimal impact to its customers because there are numerous competitors willing to replace any failed provider. In addition, the customer may choose a facilities-based carrier such as AT&T, MCI, Sprint, etc. If the customers would like to receive service from a different carrier immediately, they can "dial around" an AOS provider to the carrier of their choice.

Rate review process

Staff has reviewed the rates of five major toll carriers to establish the maximum AOS rates, service charges and operator-dialed surcharges set forth on Schedules 1 and 2. If any of the carriers forming the rate group obtain higher rates, NOS should be authorized to allow its rates to float in accordance with the carriers revised higher rates so long as the AOS provider complies with the following tariff filing requirements. The company is required to file: 1) an estimate of the value of the company's plant to serve Arizona customers; 2) a tariff setting forth the new maximum rates, which do not exceed the maximum rates of the five major carriers set; and 3) supporting documentation estimating the overall impact of the new maximum rate upon the company's rate of return.

In example, AT&T currently has maximum rates in the night/weekend rate period in mileage bands 0 through 292 for the first minute and additional minutes in Schedule 1. In the event AT&T were to increase its rates in these mileage bands, the rates changed would establish new maximum rates in Schedule 1. Pursuant to Staff's recommendation, Network Operator Services would be allowed to seek authorization to increase its maximum rates and/or service charges accordingly by complying with the filing requirements described above.

The Commission has authorized floating maximum rates for coin-operated pay telephone (COPT) providers that have been certified under the generic tariff established by A.A.C. R14-2-905. This mechanism is particularly appropriate for a market with alternative providers in which it is reasonable to set rates in reference to the rates of established carriers providing similar services. These factors are

present in the AOS industry; therefore, Staff believes that it is reasonable for the Commission to authorize NOS to adopt floating maximums.

Discounting Authority

Staff recommends that NOS should be allowed to discount its rates and service charges to the marginal cost of providing the services. Discount authority will provide the Company with pricing flexibility to compete with other providers, as well as allow the potential benefits of price competition to accrue to end-users.

InterLATA Toll Charges

Staff recommends interLATA rates and service charges to be based on the maximum rates and service charges authorized for certain inter-exchange carriers (IXCs) certificated in Arizona as described above.

Staff recommends that the Commission authorize NOS to charge the maximum rate in each mileage band, respective of the day of the week and time of the day, currently authorized for any of the facilities-based IXC's as set forth in Schedule 1. In addition, Staff recommends that the Commission limit the Company's service charges to the highest authorized maximum service charge of any of the facilities-based IXC's as set forth in Schedule 1.

IntraLATA Toll Charges

Staff recommends IntraLATA rates and service charges to be based on the maximum rates and service charges of the various facilities-based carriers certified to carry intraLATA toll calls in Arizona as described above.

Staff recommends that the Commission authorize NOS to charge the maximum rate in each mileage band, respective of the day of the week and time of the day, currently authorized for any of the various facilities-based intraLATA carriers set forth in Schedule 2. Furthermore, Staff recommends that the Commission limit the Company's service charges to the highest authorized maximum service charge of any of the facilities-based intraLATA carriers set forth in Schedule 2.

The attached Schedule 1 and 2 set forth Staff's recommended surcharges for interLATA and IntraLATA toll calls respectively.

Operator-Dialed Surcharge and Property Surcharge

An operator-dialed surcharge is imposed when an end-user has the capability to dial the call, but requests the operator to dial and make the call. A property surcharge is a per call bonus paid to the aggregator by the AOS Company. In prior decisions the Commission has approved both an operator-dialed surcharge and a property (location-specific or subscriber) surcharge.

Staff recommends that the property surcharge be limited to \$1.00 per call. The Commission has approved a property surcharge of \$1.00 for ten out of twelve AOS carriers certified in Arizona. Limiting the property surcharge provides a level playing field for the competitors. Staff recommends consistency

in the property surcharge to stress the importance of providing service to the end-users, rather than higher payments to aggregators for the opportunity to serve end-users.

Staff recommends approval of the operator-dialed surcharge and the property surcharge as described in Schedule 1 and 2.

Recommendation of NOS Proposed Tariff, the Zero-Minus Issue and CC&N.

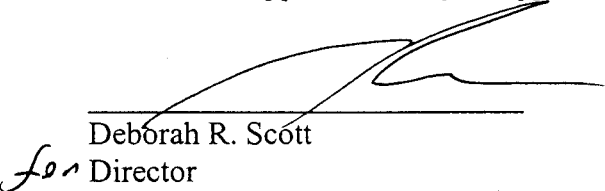
NOS revised tariff filing of May 11, 2000, comports with the recommendations in the above sections. The Company's proposed rates and service charges for either interLATA or intraLATA telephone services are identical to or less than the rates and service charges contained in Staff's attached rate schedules 1 and 2. Therefore, Staff believes NOS's proposed tariff revisions are reasonable and should be approved.

Zero-Minus Calls

The term "zero-minus" refers to calls by individuals who dial "0" for the operator when they are experiencing an emergency situation rather than "911." The majority of calling public dial "911" for emergency telephone service, yet others will dial "0" in the same situation. The Commission adopted A.A.C. R14-2-1006.A, which requires the AOS provider to route all zero-minus calls to the originating LEC. The Commission also provided a waiver from the requirement upon a showing that the AOS provider could provide the caller with equally quick and reliable service.

An AOS provider that wishes to provide zero-minus service can request a waiver from the rule. In order to be granted a waiver, the company must demonstrate that it can meet the zero-minus time standard provided by the Local Exchange Company. Staff requires an AOS applicant to clearly and convincingly demonstrate that it has the capability to process zero-minus calls with equal time parameters and accuracy of the LEC. Staff requires any waiver applicant to provide data on zero-minus calls, which is compared to LEC standards. NOS provided Staff with the necessary data. Staff reviewed the data and believes that NOS meets the necessary standards to provide zero-minus service, and should therefore be authorized a waiver from the rule to allow them to carry said traffic. NOS is currently authorized to carry zero-minus calls in Tennessee, Iowa, Montana, Utah, New Mexico, Louisiana, Texas, Virginia, Colorado, South Dakota and Missouri.

This application may be approved without a hearing pursuant to A.R.S. § 40-282.



Deborah R. Scott
for Director
Utilities Division

Date: 3 - 20 - 01

Originator: Marta Kalleberg & Jim Fisher

Date: March 20, 2001

Schedule 1

Alternative Operator Services Maximum InterLata Usage Charges

Mileage Band	Day Time (a)		Evening/Holiday (b)		Night/Weekend (c)	
	First Minute	Addtl. Minute	First Minute	Addtl. Minute	First Minute	Addtl. Minute
0-10	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
11-16	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
17-22	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
23-30	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
31-40	0.5065	0.3000	0.3135	0.3000	0.3000	0.3000
41-55	0.5307	0.3332	0.3135	0.3000	0.3000	0.3000
56-70	0.5560	0.3732	0.3590	0.3000	0.3000	0.3000
71-124	0.5560	0.3865	0.3590	0.3000	0.3000	0.3000
125-196	0.5560	0.4265	0.3590	0.3000	0.3000	0.3000
197-292	0.5560	0.4799	0.3590	0.3000	0.3000	0.3000
293 & Over	0.5800	0.4820	0.3908	0.3000	0.3000	0.3000

Rate Periods

- (a) Day time is Monday through Friday 8:00 a.m. to 5 p.m.
- (b) Evening/Holiday is Sunday through Friday 5:00 p.m. to 11:00 p.m.
Officially recognized holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day. Evening rates are applicable during all holiday hours, except for hours when a lower rate (i.e. Night/Weekend) is applicable.
- (c) Night/Weekend is Sunday through Thursday 11:00 p.m. to 8:00 a.m., 11:00 p.m. Friday through 5:00 p.m. Sunday.

Alternative Operator Services Maximum InterLata Services Charges

Service (1) (2)	Maximum Charge
Customer Dialed Calling or Credit Card	\$1.50
Operator Dialed Calling or Credit Card	\$2.50
Station - to - Station Collect	\$2.33
Person - to - Person Collect	\$4.66
Third Party Person - to - Person	\$4.66
Third Party Station - to Station	\$2.33
Person - to - Person	\$4.50
Station - to - Station	\$3.50
Directory Assistance	\$2.00

- (1) An Operator Dialed Surcharge of \$2.00 will be applied to the capability to call, but it is requested that the operator complete the call instead. In accordance with A.A.C. R14-2-1005, end users shall be informed of this charge before call completion. This surcharge will not be imposed in cases of equipment failure or where the end user is experiencing a disability.
- (2) A Property Surcharge, Subscriber Surcharge or Location Specific Charge may be added to all operator assisted calls completed from Company subscriber locations. This surcharge will appear on the customer's bill and will be capped at \$1.00 per call. All of this surcharge will be remitted to the aggregator. However, this surcharge will not be collected by the Company if the aggregator is also collecting a surcharge.

Schedule 2

Alternative Operator Services Maximum IntraLata Usage Charges

Mileage Band	Day Time (a)		Evening/Holiday (b)		Night/Weekend (c)	
	First Minute	Addtl. Minute	First Minute	Addtl. Minute	First Minute	Addtl. Minute
0-10	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
11-16	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
17-22	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
23-30	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
31-40	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
41-55	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
56-70	0.5200	0.3300	0.3590	0.3000	0.3000	0.3000
71-124	0.5200	0.3300	0.3590	0.3000	0.3000	0.3000
125-196	0.5300	0.3600	0.3590	0.3000	0.3000	0.3000
197-292	0.5800	0.3600	0.3590	0.3000	0.3000	0.3000
293 & Over	0.5800	0.3800	0.3980	0.3000	0.3300	0.3000

Rate Periods

- (a) Day time is Monday through Friday 8:00 a.m. to 5 p.m.
- (b) Evening/Holiday is Sunday through Friday 5:00 p.m. to 11:00 p.m.
Officially recognized holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day. Evening rates are applicable during all holiday hours, except for hours when a lower rate (i.e. Night/Weekend) is applicable.
- (c) Night/Weekend is Sunday through Thursday 11:00 p.m. to 8:00 a.m., 11:00 p.m. Friday through 5:00 p.m. Sunday.

Alternative Operator Services Maximum IntraLata Services Charges

Service (1) (2)	Maximum Charge
Customer Dialed Calling or Credit Card	\$1.50
Operator Dialed Calling or Credit Card	\$2.50
Station - to - Station Collect	\$2.30
Person - to - Person Collect	\$4.50
Third Party Person - to - Person	\$4.50
Third Party Station - to Station	\$2.30
Person - to - Person	\$4.50
Station - to - Station	\$3.50
Directory Assistance	\$2.00

- (3) An Operator Dialed Surcharge of \$2.00 will be applied to the capability to call, but it is requested that the operator complete the call instead. In accordance with A.A.C. R14-2-1005, end users shall be informed of this charge before call completion. This surcharge will not be imposed in cases of equipment failure or where the end user is experiencing a disability.
- (4) A Property Surcharge, Subscriber Surcharge or Location Specific Charge may be added to all operator assisted calls completed from Company subscriber locations. This surcharge will appear on the customer's bill and will be capped at \$1.00 per call. All of this surcharge will be remitted to the aggregator. However, this surcharge will not be collected by the Company if the aggregator is also collecting a surcharge.